

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
actuary_st@leg.wa.gov

Executive Committee

December 13, 2005

9:00-10:30 AM

House Hearing Room C
Olympia

AGENDA

- 9:00 AM **(A) Approval of Minutes**
- 9:05 AM **(B) Gain-sharing Subgroup Recommendation** - Robert Wm. Baker, Senior Research Analyst
- 9:35 AM **(C) Post-Retirement Employment** - Laura Harper, Senior Research Analyst - Legal
- 9:50 AM **(D) Age 70 1/2 and Opt In/Opt Out Bill Draft** - Bob Baker
- 9:55 AM **(E) Service Credit Purchase Technical Correction** - Laura Harper
- 10:00 AM **(F) Possible Session Meeting/Update**
- 10:15 AM **(G) Constituent Correspondence**
- 10:20 AM **(H) Actuary Evaluation - Executive Session**
- 10:30 AM **(I) Adjourn**

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***Elaine M. Banks**
TRS Retirees

Representative Barbara Bailey

Lois Clement
PERS Retirees

Representative Steve Conway

Representative Larry Crouse

***Senator Karen Fraser,**
Vice Chair

***Representative Bill Fromhold,**
Chair

***Leland A. Goeke**
TRS and SERS Employers

***Robert Keller**
PERS Actives

***Sandra J. Matheson, Director**
Department of Retirement Systems

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Victor Moore, Director
Office of Financial Management

Senator Joyce Mulliken

Glenn Olson
PERS Employers

Senator Craig Pridemore

Diane Rae
TRS Actives

J. Pat Thompson
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David Westberg
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EXECUTIVE COMMITTEE DRAFT MINUTES

November 15, 2005

The Select Committee on Pension Policy met in House Hearing Room C, Olympia, Washington on November 15, 2005

Committee members attending:

Representative Fromhold, Chair
Elaine Banks
Representative Conway
Senator Fraser

Robert Keller
Sandra Matheson
Glenn Olson

Representative Fromhold called the meeting to order at 2:05 PM.

(A) Approval of Minutes

It was moved to approve the October 18, 2005 minutes.

Seconded.

MOTION CARRIED

(B) Direction on Day's Full Agenda

Matt Smith, State Actuary, reviewed the issues on the "Direction on Today's Agenda" handout. Discussion followed.

Gain-sharing Subgroup Report and Recommendations

The Gain-sharing subgroup is meeting November 28th and their recommendation will be forwarded to the December Executive Committee meeting.

Public Safety Subgroup Report and Recommendations

The Public Safety Subgroup recommendation is scheduled for the December 13th Full Committee meeting.

Plan 1 Unfunded Liability Subgroup Report and Recommendations

Matt Smith, State Actuary, reviewed the "Rate Phase-In Proposals" handout. Discussion followed.

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It was moved to forward the recommendation of the Plan 1 Unfunded Liability Subgroup and schedule for the December 13th Full Committee meeting. Seconded.

MOTION CARRIED

Service Credit Purchase

It was moved to forward Bill Draft Z-0838.1/06 to the legislature. Seconded.

MOTION CARRIED

Age 70 ½ and Opt In/Opt Out

Staff was instructed to prepare bill language with a new title and schedule for the December 13th Executive Committee meeting.

(C) December Committee Meeting

- Meeting Planner
Matt Smith, State Actuary, reviewed the December 13th Full and Executive Committee Agendas. Discussion followed.
- 2006 Interim Schedule/Subgroup Schedule
Kelly Burkhart, Executive Assistant, reviewed the proposed 2006 meeting dates and subgroup dates.

It was moved to forward the proposed SCPP meeting dates and schedule for the December 13th Full Committee meeting. Seconded.

MOTION CARRIED

(D) Coordination with LEOFF 2 Board

- Service Credit Purchase for Injury
Laura Harper, Senior Research Analyst, Legal, reported on "Service Credit Purchase for Injury."
Steve Nelsen, Executive Director, LEOFF 2 Retirement Board answered questions from members.

- **Dual Membership**
Bob Baker, Senior Research Analyst, reported on "Dual membership - Initial Consideration Follow-up."
Steve Nelsen, Executive Director, LOEFF 2 Retirement Board, answered questions from members.

(E) Judges Benefit Multiplier

Bob Baker, Senior Research Analyst, reported on the "Judges Benefit Multiplier." Judge Costello answered committee members questions.

It was moved that "Judges Benefit Multiplier" be scheduled for the December Full Committee meeting. Seconded.

MOTION CARRIED

(F) USERRA Compliance

The final report will be scheduled for the December 13th Full Committee meeting.

(G) PSERS Eligibility

Bob Baker, Senior Research Analyst, reviewed the PSERS Bill draft.

It was moved to forward Bill Draft Z-0835.3/06 and schedule for the December 13th Full Committee meeting. Seconded.

MOTION CARRIED

It was moved to prepare an amendment including DSHS as an eligible PSERS employer. Seconded.

MOTION CARRIED

(H) Constituent Correspondence

Laura Harper, Senior Research Analyst, Legal, gave an update on the status of the Port Commissioners proposal.

(I) Actuary Evaluation

Representative Fromhold stated the Actuary Evaluation will be discussed at the December 13th Executive Committee meeting.

The meeting adjourned at 4:10 PM.

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GAIN-SHARING SUBGROUP DRAFT MINUTES

November 28, 2005

The Gain-Sharing Subgroup met in House Hearing Room D, Olympia, Washington on November 28, 2005.

Voting Members:

Representative Fromhold, Chair	Leland Goeke
Senator Mulliken	Sandra Matheson
Elaine Banks	J. Pat Thompson

Other SCPP Member

David Westberg

Non-Voting Members:

Ken Kanikeberg	Randy Parr
John Kvamme	Wendy Rader-Konofalski
Leslie Main	Cassandra de La Rosa
Ellie Menzies	

Representative Fromhold, Chair, called the meeting to order at 10:05 AM.

(1) Approval of Minutes

It was moved to approve the November 2, 2005 minutes.
Seconded.

MOTION CARRIED

(2) Plan 3 to Plan 2 Transfer Window

Matt Smith, State Actuary, presented the "Plan 3 to Plan 2 Transfer Window" report. Discussion followed.

(3) Decision Factors for Recommendation

Bob Baker, Senior Research Analyst, reported on the "Decision Factors for Gain-Sharing Recommendation." Discussion followed.

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(4) Public Testimony

Bob Warnecke, Washington State School Retirees Association

Bruce Reeves, The Senior Lobby

Conrad Wold, Teachers for Retirement Equity

Caucus break - 11:10 AM.

Chair Fromhold resumed the meeting at 11:30 AM. Discussion followed.

(5) Subgroup Recommendation

It was moved for staff to prepare legislation for an omnibus bill which repeals Plan 1 and Plan 3 gain-sharing; increases the Plan 1 Uniform COLA by 48 cents; establishes a Rule of 90 retirement eligibility for Plans 2/3; 5-year vesting for Plans 3; Plan 2/3 choice for SERS and TRS new hires; retroactive Plan 3 to Plan 2 transfer window for current Plan 3 members; Plan 3 employer defined contributions for current Plan 3 members; prepare stand-alone bills for Age 66 COLA initial eligibility and expanded eligibility for \$1,000 minimum benefit plus 3% annual escalator and schedule for the December 13th Executive Committee meeting. Seconded.

MOTION CARRIED

The meeting adjourned at 12:15 PM.

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December 2, 2005

Senator Margarita Prentice, Chair
Senate Ways and Means Committee

Senator Joseph Zarelli, Ranking Minority Member
Senate Ways and Means Committee

Representative Helen Sommers, Chair
House Appropriations Committee

Representative Gary Alexander, Ranking Minority Member
House Appropriations Committee

RE: 2005 Post-Retirement Employment Program Report

Dear Chair Prentice, Chair Sommers, Senator Zarelli and Representative Alexander:

The Office of the State Actuary (OSA) has delivered its 2005 Post-Retirement Employment Program Report to the Select Committee on Pension Policy (SCPP), as required by Chapter 518, Laws of 2005. The SCPP has considered the report and offers the following response and recommendations:

1. Further study is needed. While the report is responsive to the study mandate, it is clear that cost is just one of many factors in determining an appropriate workforce strategy for public employees. The expanded post-retirement employment program was originally introduced to respond to workforce shortages, primarily in the education sector. The OSA report took no position as to whether the program has been successful in addressing these shortages, or whether the program is necessary to continue to avert them, assuming they still exist.

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While the OSA has access to certain data collected by the Department of Retirement Systems for the purpose of performing actuarial valuations, data from other sources would be required to fully evaluate the success of the program as a personnel tool. We recommend that some other entity may be more appropriate than the OSA to profile the state's public workforce, evaluate workforce needs, set personnel goals, and recommend an appropriate strategy to reach those goals. Perhaps a multidisciplinary task force would be an appropriate body to undertake this effort.

The expanded retire-rehire program is currently available in the Plans 1 of the Public Employees' Retirement System and Teachers' Retirement System. By far the largest employers in these plans are the K-12 employers, so we would view representatives of that group as critical to the success of any further study. Other affected entities include state agencies, counties, higher education institutions, county subdivisions and cities.

2. No immediate or significant changes in current practices are required at this time. In light of our recommendation for further study, we believe that significant legislative action would be premature. However, we are recommending, as a sort of "stopgap measure," legislation that would implement certain procedural safeguards to help avoid abuses within the program. These safeguards would involve no changes to hour limits or waiting periods, and thus, would have **no cost**. Instead, we recommend that employers be required to hire retirees pursuant to a written policy. Further, we recommend consistency between PERS 1 and TRS 1 regarding the following: a) prohibitions against prior agreements to rehire retirees, and b) requirements that employers document their need to hire retirees and keep records of their hiring processes.

Thank you for your consideration of these recommendations. We would be happy to discuss them with you in more detail.

Sincerely,

Representative Bill Fromhold, Chair
Select Committee on Pension Policy

Senator Karen Fraser, Vice-Chair
Select Committee on Pension Policy

cc: Matt Smith, State Actuary
David Schumacher, Sr. Staff Coordinator/Capital Budget Coordinator
Charlie Gavigan, Staff Coordinator

Select Committee on Pension Policy
Bill Summary
Post-Retirement Employment
(November 28, 2005)

The draft bill for the 2006 legislative session relating to post-retirement employment contains the following provisions:

- For TRS 1, prohibits any written or verbal agreement to return to work with the same employer and imposes a potential misdemeanor penalty (already effective in PERS 1). Clarifies for both systems that mere inquiries do not constitute an agreement.
- For TRS 1, requires employers to document the need to hire retirees and to keep records of the actual hiring process (already effective in PERS 1).
- For TRS 1 and PERS 1, requires employers to rehire retirees pursuant to a written policy.
- Provides for an effective date of July 1, 2006.

1 AN ACT Relating to the public employment of retirees from the plans
2 1 of the teachers' retirement system and the public employees'
3 retirement system; amending RCW 41.32.010; amending RCW 41.32.055 and
4 prescribing penalties; amending RCW 41.32.570; amending RCW 41.40.010;
5 amending RCW 41.40.037 and providing an effective date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 41.32.010 and 2005 c 131 s 8 are each amended to read
8 as follows:

9 As used in this chapter, unless a different meaning is plainly
10 required by the context:

11 (1)(a) "Accumulated contributions" for plan 1 members, means the
12 sum of all regular annuity contributions and, except for the purpose of
13 withdrawal at the time of retirement, any amount paid under RCW
14 41.50.165(2) with regular interest thereon.

15 (b) "Accumulated contributions" for plan 2 members, means the sum
16 of all contributions standing to the credit of a member in the member's
17 individual account, including any amount paid under RCW 41.50.165(2),
18 together with the regular interest thereon.

1 (2) "Actuarial equivalent" means a benefit of equal value when
2 computed upon the basis of such mortality tables and regulations as
3 shall be adopted by the director and regular interest.

4 (3) "Annuity" means the moneys payable per year during life by
5 reason of accumulated contributions of a member.

6 (4) "Member reserve" means the fund in which all of the accumulated
7 contributions of members are held.

8 (5)(a) "Beneficiary" for plan 1 members, means any person in
9 receipt of a retirement allowance or other benefit provided by this
10 chapter.

11 (b) "Beneficiary" for plan 2 and plan 3 members, means any person
12 in receipt of a retirement allowance or other benefit provided by this
13 chapter resulting from service rendered to an employer by another
14 person.

15 (6) "Contract" means any agreement for service and compensation
16 between a member and an employer.

17 (7) "Creditable service" means membership service plus prior
18 service for which credit is allowable. This subsection shall apply
19 only to plan 1 members.

20 (8) "Dependent" means receiving one-half or more of support from a
21 member.

22 (9) "Disability allowance" means monthly payments during
23 disability. This subsection shall apply only to plan 1 members.

24 (10)(a) "Earnable compensation" for plan 1 members, means:

25 (i) All salaries and wages paid by an employer to an employee
26 member of the retirement system for personal services rendered during
27 a fiscal year. In all cases where compensation includes maintenance
28 the employer shall fix the value of that part of the compensation not
29 paid in money.

30 (ii) For an employee member of the retirement system teaching in an
31 extended school year program, two consecutive extended school years, as
32 defined by the employer school district, may be used as the annual
33 period for determining earnable compensation in lieu of the two fiscal
34 years.

35 (iii) "Earnable compensation" for plan 1 members also includes the
36 following actual or imputed payments, which are not paid for personal
37 services:

1 (A) Retroactive payments to an individual by an employer on
2 reinstatement of the employee in a position, or payments by an employer
3 to an individual in lieu of reinstatement in a position which are
4 awarded or granted as the equivalent of the salary or wages which the
5 individual would have earned during a payroll period shall be
6 considered earnable compensation and the individual shall receive the
7 equivalent service credit.

8 (B) If a leave of absence, without pay, is taken by a member for
9 the purpose of serving as a member of the state legislature, and such
10 member has served in the legislature five or more years, the salary
11 which would have been received for the position from which the leave of
12 absence was taken shall be considered as compensation earnable if the
13 employee's contribution thereon is paid by the employee. In addition,
14 where a member has been a member of the state legislature for five or
15 more years, earnable compensation for the member's two highest
16 compensated consecutive years of service shall include a sum not to
17 exceed thirty-six hundred dollars for each of such two consecutive
18 years, regardless of whether or not legislative service was rendered
19 during those two years.

20 (iv) For members employed less than full time under written
21 contract with a school district, or community college district, in an
22 instructional position, for which the member receives service credit of
23 less than one year in all of the years used to determine the earnable
24 compensation used for computing benefits due under RCW 41.32.497,
25 41.32.498, and 41.32.520, the member may elect to have earnable
26 compensation defined as provided in RCW 41.32.345. For the purposes of
27 this subsection, the term "instructional position" means a position in
28 which more than seventy-five percent of the member's time is spent as
29 a classroom instructor (including office hours), a librarian, a
30 psychologist, a social worker, a nurse, a physical therapist, an
31 occupational therapist, a speech language pathologist or audiologist,
32 or a counselor. Earnable compensation shall be so defined only for the
33 purpose of the calculation of retirement benefits and only as necessary
34 to insure that members who receive fractional service credit under RCW
35 41.32.270 receive benefits proportional to those received by members
36 who have received full-time service credit.

37 (v) "Earnable compensation" does not include:

1 (A) Remuneration for unused sick leave authorized under RCW
2 41.04.340, 28A.400.210, or 28A.310.490;

3 (B) Remuneration for unused annual leave in excess of thirty days
4 as authorized by RCW 43.01.044 and 43.01.041.

5 (b) "Earnable compensation" for plan 2 and plan 3 members, means
6 salaries or wages earned by a member during a payroll period for
7 personal services, including overtime payments, and shall include wages
8 and salaries deferred under provisions established pursuant to sections
9 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
10 shall exclude lump sum payments for deferred annual sick leave, unused
11 accumulated vacation, unused accumulated annual leave, or any form of
12 severance pay.

13 "Earnable compensation" for plan 2 and plan 3 members also includes
14 the following actual or imputed payments which, except in the case of
15 (b)(ii)(B) of this subsection, are not paid for personal services:

16 (i) Retroactive payments to an individual by an employer on
17 reinstatement of the employee in a position or payments by an employer
18 to an individual in lieu of reinstatement in a position which are
19 awarded or granted as the equivalent of the salary or wages which the
20 individual would have earned during a payroll period shall be
21 considered earnable compensation, to the extent provided above, and the
22 individual shall receive the equivalent service credit.

23 (ii) In any year in which a member serves in the legislature the
24 member shall have the option of having such member's earnable
25 compensation be the greater of:

26 (A) The earnable compensation the member would have received had
27 such member not served in the legislature; or

28 (B) Such member's actual earnable compensation received for
29 teaching and legislative service combined. Any additional
30 contributions to the retirement system required because compensation
31 earnable under (b)(ii)(A) of this subsection is greater than
32 compensation earnable under (b)(ii)(B) of this subsection shall be paid
33 by the member for both member and employer contributions.

34 (11) "Employer" means the state of Washington, the school district,
35 or any agency of the state of Washington by which the member is paid.

36 (12) "Fiscal year" means a year which begins July 1st and ends June
37 30th of the following year.

1 (13) "Former state fund" means the state retirement fund in
2 operation for teachers under chapter 187, Laws of 1923, as amended.

3 (14) "Local fund" means any of the local retirement funds for
4 teachers operated in any school district in accordance with the
5 provisions of chapter 163, Laws of 1917 as amended.

6 (15) "Member" means any teacher included in the membership of the
7 retirement system who has not been removed from membership under RCW
8 41.32.878 or 41.32.768. Also, any other employee of the public schools
9 who, on July 1, 1947, had not elected to be exempt from membership and
10 who, prior to that date, had by an authorized payroll deduction,
11 contributed to the member reserve.

12 (16) "Membership service" means service rendered subsequent to the
13 first day of eligibility of a person to membership in the retirement
14 system: PROVIDED, That where a member is employed by two or more
15 employers the individual shall receive no more than one service credit
16 month during any calendar month in which multiple service is rendered.
17 The provisions of this subsection shall apply only to plan 1 members.

18 (17) "Pension" means the moneys payable per year during life from
19 the pension reserve.

20 (18) "Pension reserve" is a fund in which shall be accumulated an
21 actuarial reserve adequate to meet present and future pension
22 liabilities of the system and from which all pension obligations are to
23 be paid.

24 (19) "Prior service" means service rendered prior to the first date
25 of eligibility to membership in the retirement system for which credit
26 is allowable. The provisions of this subsection shall apply only to
27 plan 1 members.

28 (20) "Prior service contributions" means contributions made by a
29 member to secure credit for prior service. The provisions of this
30 subsection shall apply only to plan 1 members.

31 (21) "Public school" means any institution or activity operated by
32 the state of Washington or any instrumentality or political subdivision
33 thereof employing teachers, except the University of Washington and
34 Washington State University.

35 (22) "Regular contributions" means the amounts required to be
36 deducted from the compensation of a member and credited to the member's

1 individual account in the member reserve. This subsection shall apply
2 only to plan 1 members.

3 (23) "Regular interest" means such rate as the director may
4 determine.

5 (24)(a) "Retirement allowance" for plan 1 members, means monthly
6 payments based on the sum of annuity and pension, or any optional
7 benefits payable in lieu thereof.

8 (b) "Retirement allowance" for plan 2 and plan 3 members, means
9 monthly payments to a retiree or beneficiary as provided in this
10 chapter.

11 (25) "Retirement system" means the Washington state teachers'
12 retirement system.

13 (26)(a) "Service" for plan 1 members means the time during which a
14 member has been employed by an employer for compensation.

15 (i) If a member is employed by two or more employers the individual
16 shall receive no more than one service credit month during any calendar
17 month in which multiple service is rendered.

18 (ii) As authorized by RCW 28A.400.300, up to forty-five days of
19 sick leave may be creditable as service solely for the purpose of
20 determining eligibility to retire under RCW 41.32.470.

21 (iii) As authorized in RCW 41.32.065, service earned in an out-of-
22 state retirement system that covers teachers in public schools may be
23 applied solely for the purpose of determining eligibility to retire
24 under RCW 41.32.470.

25 (b) "Service" for plan 2 and plan 3 members, means periods of
26 employment by a member for one or more employers for which earnable
27 compensation is earned subject to the following conditions:

28 (i) A member employed in an eligible position or as a substitute
29 shall receive one service credit month for each month of September
30 through August of the following year if he or she earns earnable
31 compensation for eight hundred ten or more hours during that period and
32 is employed during nine of those months, except that a member may not
33 receive credit for any period prior to the member's employment in an
34 eligible position except as provided in RCW 41.32.812 and 41.50.132;

35 (ii) If a member is employed either in an eligible position or as
36 a substitute teacher for nine months of the twelve month period between
37 September through August of the following year but earns earnable

1 compensation for less than eight hundred ten hours but for at least six
2 hundred thirty hours, he or she will receive one-half of a service
3 credit month for each month of the twelve month period;

4 (iii) All other members in an eligible position or as a substitute
5 teacher shall receive service credit as follows:

6 (A) A service credit month is earned in those calendar months where
7 earnable compensation is earned for ninety or more hours;

8 (B) A half-service credit month is earned in those calendar months
9 where earnable compensation is earned for at least seventy hours but
10 less than ninety hours; and

11 (C) A quarter-service credit month is earned in those calendar
12 months where earnable compensation is earned for less than seventy
13 hours.

14 (iv) Any person who is a member of the teachers' retirement system
15 and who is elected or appointed to a state elective position may
16 continue to be a member of the retirement system and continue to
17 receive a service credit month for each of the months in a state
18 elective position by making the required member contributions.

19 (v) When an individual is employed by two or more employers the
20 individual shall only receive one month's service credit during any
21 calendar month in which multiple service for ninety or more hours is
22 rendered.

23 (vi) As authorized by RCW 28A.400.300, up to forty-five days of
24 sick leave may be creditable as service solely for the purpose of
25 determining eligibility to retire under RCW 41.32.470. For purposes of
26 plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal
27 to two service credit months. Use of less than forty-five days of sick
28 leave is creditable as allowed under this subsection as follows:

29 (A) Less than eleven days equals one-quarter service credit month;

30 (B) Eleven or more days but less than twenty-two days equals one-
31 half service credit month;

32 (C) Twenty-two days equals one service credit month;

33 (D) More than twenty-two days but less than thirty-three days
34 equals one and one-quarter service credit month;

35 (E) Thirty-three or more days but less than forty-five days equals
36 one and one-half service credit month.

1 (vii) As authorized in RCW 41.32.065, service earned in an out-of-
2 state retirement system that covers teachers in public schools may be
3 applied solely for the purpose of determining eligibility to retire
4 under RCW 41.32.470.

5 (viii) The department shall adopt rules implementing this
6 subsection.

7 (27) "Service credit year" means an accumulation of months of
8 service credit which is equal to one when divided by twelve.

9 (28) "Service credit month" means a full service credit month or an
10 accumulation of partial service credit months that are equal to one.

11 (29) "Teacher" means any person qualified to teach who is engaged
12 by a public school in an instructional, administrative, or supervisory
13 capacity. The term includes state, educational service district, and
14 school district superintendents and their assistants and all employees
15 certificated by the superintendent of public instruction; and in
16 addition thereto any full time school doctor who is employed by a
17 public school and renders service of an instructional or educational
18 nature.

19 (30) "Average final compensation" for plan 2 and plan 3 members,
20 means the member's average earnable compensation of the highest
21 consecutive sixty service credit months prior to such member's
22 retirement, termination, or death. Periods constituting authorized
23 leaves of absence may not be used in the calculation of average final
24 compensation except under RCW 41.32.810(2).

25 (31) "Retiree" means any person who has begun accruing a retirement
26 allowance or other benefit provided by this chapter resulting from
27 service rendered to an employer while a member.

28 (32) "Department" means the department of retirement systems
29 created in chapter 41.50 RCW.

30 (33) "Director" means the director of the department.

31 (34) "State elective position" means any position held by any
32 person elected or appointed to statewide office or elected or appointed
33 as a member of the legislature.

34 (35) "State actuary" or "actuary" means the person appointed
35 pursuant to RCW 44.44.010(2).

36 (36) "Substitute teacher" means:

1 (a) A teacher who is hired by an employer to work as a temporary
2 teacher, except for teachers who are annual contract employees of an
3 employer and are guaranteed a minimum number of hours; or

4 (b) Teachers who either (i) work in ineligible positions for more
5 than one employer or (ii) work in an ineligible position or positions
6 together with an eligible position.

7 (37)(a) "Eligible position" for plan 2 members from June 7, 1990,
8 through September 1, 1991, means a position which normally requires two
9 or more uninterrupted months of creditable service during September
10 through August of the following year.

11 (b) "Eligible position" for plan 2 and plan 3 on and after
12 September 1, 1991, means a position that, as defined by the employer,
13 normally requires five or more months of at least seventy hours of
14 earnable compensation during September through August of the following
15 year.

16 (c) For purposes of this chapter an employer shall not define
17 "position" in such a manner that an employee's monthly work for that
18 employer is divided into more than one position.

19 (d) The elected position of the superintendent of public
20 instruction is an eligible position.

21 (38) "Plan 1" means the teachers' retirement system, plan 1
22 providing the benefits and funding provisions covering persons who
23 first became members of the system prior to October 1, 1977.

24 (39) "Plan 2" means the teachers' retirement system, plan 2
25 providing the benefits and funding provisions covering persons who
26 first became members of the system on and after October 1, 1977, and
27 prior to July 1, 1996.

28 (40) "Plan 3" means the teachers' retirement system, plan 3
29 providing the benefits and funding provisions covering persons who
30 first become members of the system on and after July 1, 1996, or who
31 transfer under RCW 41.32.817.

32 (41) "Index" means, for any calendar year, that year's annual
33 average consumer price index, Seattle, Washington area, for urban wage
34 earners and clerical workers, all items compiled by the bureau of labor
35 statistics, United States department of labor.

36 (42) "Index A" means the index for the year prior to the
37 determination of a postretirement adjustment.

(43) "Index B" means the index for the year prior to index A.

(44) "Index year" means the earliest calendar year in which the index is more than sixty percent of index A.

(45) "Adjustment ratio" means the value of index A divided by index B.

(46) "Annual increase" means, initially, fifty-nine cents per month per year of service which amount shall be increased each July 1st by three percent, rounded to the nearest cent.

(47) "Member account" or "member's account" for purposes of plan 3 means the sum of the contributions and earnings on behalf of the member in the defined contribution portion of plan 3.

(48) "Separation from service or employment" occurs when a person has terminated all employment with an employer. Separation from service or employment does not occur, and if claimed by an employer or employee may be a violation of RCW 41.32.055, when an employee and employer have a written or oral agreement to resume employment with the same employer following termination. Mere expressions or inquiries about post-retirement employment by an employer or employee that do not constitute a commitment to re-employ the employee after retirement are not an agreement under this section.

(49) "Employed" or "employee" means a person who is providing services for compensation to an employer, unless the person is free from the employer's direction and control over the performance of work. The department shall adopt rules and interpret this subsection consistent with common law.

Sec. 2. RCW 41.32.055 and 2003 c 53 s 218 are each amended to read as follows:

(1) Any person who shall knowingly make false statements or shall falsify or permit to be falsified any record or records of the retirement system, except under subsection (2) of this section, in any attempt to defraud such system as a result of such act, is guilty of a class B felony punishable according to chapter 9A.20 RCW.

(2) Any person who shall knowingly make false statements or shall falsify or permit to be falsified any record or records of the retirement systems related to a member's separation from service and

1 qualification for a retirement allowance under RCW 41.32.480 in any
2 attempt to defraud such system as a result of such act, is guilty of a
3 gross misdemeanor.

4 **Sec. 3.** RCW 41.32.570 and 2003 c 295 s 6 are each amended to read
5 as follows:

6 (1)(a) If a retiree enters employment with an employer sooner than
7 one calendar month after his or her accrual date, the retiree's monthly
8 retirement allowance will be reduced by five and one-half percent for
9 every seven hours worked during that month. This reduction will be
10 applied each month until the retiree remains absent from employment
11 with an employer for one full calendar month.

12 (b) The benefit reduction provided in (a) of this subsection will
13 accrue for a maximum of one hundred forty hours per month. Any monthly
14 benefit reduction over one hundred percent will be applied to the
15 benefit the retiree is eligible to receive in subsequent months.

16 (2) Except under subsection (3) of this section, ((A))any retired
17 teacher or retired administrator who enters service in any public
18 educational institution in Washington state ((and who has satisfied the
19 break in employment requirement of subsection (1) of this section))at
20 least one calendar month after his or her accrual date shall cease to
21 receive pension payments while engaged in such service, after the
22 retiree has rendered service for more than ((one thousand five
23 hundred))eight hundred sixty-seven hours in a school year.

24 (3) Any retired teacher or retired administrator who enters service
25 in any public educational institution in Washington state one calendar
26 month or more after his or her accrual date and:

27 (a) is hired pursuant to a written policy into a position for which
28 the school board has documented a justifiable need to hire a retiree
29 into the position;

30 (b) is hired through the established process for the position with
31 the approval of the school board or other highest decision-making
32 authority of the prospective employer; and

33 (c) whose employer retains records of the procedures followed and
34 the decisions made in hiring the retired teacher or retired
35 administrator and provides those records in the event of an audit;

1 shall cease to receive pension payments while engaged in that service
2 after the retiree has rendered service for more than one thousand five
3 hundred hours in a school year.

4 (4) When a retired teacher or administrator renders service beyond
5 eight hundred sixty-seven hours, the department shall collect from the
6 employer the applicable employer retirement contributions for the
7 entire duration of the member's employment during that fiscal year.

8 ((+3)) (5) The department shall collect and provide the state
9 actuary with information relevant to the use of this section for the
10 select committee on pension policy.

11 ((+4)) (6) The legislature reserves the right to amend or repeal
12 this section in the future and no member or beneficiary has a
13 contractual right to be employed for more than five hundred twenty-five
14 hours per year without a reduction of his or her pension.

15 **Sec. 4.** RCW 41.40.010 and 2004 c 242 s 53 are each amended to read
16 as follows:

17 As used in this chapter, unless a different meaning is plainly
18 required by the context:

19 (1) "Retirement system" means the public employees' retirement
20 system provided for in this chapter.

21 (2) "Department" means the department of retirement systems created
22 in chapter 41.50 RCW.

23 (3) "State treasurer" means the treasurer of the state of
24 Washington.

25 (4)(a) "Employer" for plan 1 members, means every branch,
26 department, agency, commission, board, and office of the state, any
27 political subdivision or association of political subdivisions of the
28 state admitted into the retirement system, and legal entities
29 authorized by RCW 35.63.070 and 36.70.060 or chapter 39.34 RCW; and the
30 term shall also include any labor guild, association, or organization
31 the membership of a local lodge or division of which is comprised of at
32 least forty percent employees of an employer (other than such labor
33 guild, association, or organization) within this chapter. The term may
34 also include any city of the first class that has its own retirement
35 system.

1 (b) "Employer" for plan 2 and plan 3 members, means every branch,
2 department, agency, commission, board, and office of the state, and any
3 political subdivision and municipal corporation of the state admitted
4 into the retirement system, including public agencies created pursuant
5 to RCW 35.63.070, 36.70.060, and 39.34.030; except that after August
6 31, 2000, school districts and educational service districts will no
7 longer be employers for the public employees' retirement system plan 2.

8 (5) "Member" means any employee included in the membership of the
9 retirement system, as provided for in RCW 41.40.023. RCW 41.26.045
10 does not prohibit a person otherwise eligible for membership in the
11 retirement system from establishing such membership effective when he
12 or she first entered an eligible position.

13 (6) "Original member" of this retirement system means:

14 (a) Any person who became a member of the system prior to April 1,
15 1949;

16 (b) Any person who becomes a member through the admission of an
17 employer into the retirement system on and after April 1, 1949, and
18 prior to April 1, 1951;

19 (c) Any person who first becomes a member by securing employment
20 with an employer prior to April 1, 1951, provided the member has
21 rendered at least one or more years of service to any employer prior to
22 October 1, 1947;

23 (d) Any person who first becomes a member through the admission of
24 an employer into the retirement system on or after April 1, 1951,
25 provided, such person has been in the regular employ of the employer
26 for at least six months of the twelve-month period preceding the said
27 admission date;

28 (e) Any member who has restored all contributions that may have
29 been withdrawn as provided by RCW 41.40.150 and who on the effective
30 date of the individual's retirement becomes entitled to be credited
31 with ten years or more of membership service except that the provisions
32 relating to the minimum amount of retirement allowance for the member
33 upon retirement at age seventy as found in RCW 41.40.190(4) shall not
34 apply to the member;

35 (f) Any member who has been a contributor under the system for two
36 or more years and who has restored all contributions that may have been
37 withdrawn as provided by RCW 41.40.150 and who on the effective date of

1 the individual's retirement has rendered five or more years of service
2 for the state or any political subdivision prior to the time of the
3 admission of the employer into the system; except that the provisions
4 relating to the minimum amount of retirement allowance for the member
5 upon retirement at age seventy as found in RCW 41.40.190(4) shall not
6 apply to the member.

7 (7) "New member" means a person who becomes a member on or after
8 April 1, 1949, except as otherwise provided in this section.

9 (8)(a) "Compensation earnable" for plan 1 members, means salaries
10 or wages earned during a payroll period for personal services and where
11 the compensation is not all paid in money, maintenance compensation
12 shall be included upon the basis of the schedules established by the
13 member's employer.

14 (i) "Compensation earnable" for plan 1 members also includes the
15 following actual or imputed payments, which are not paid for personal
16 services:

17 (A) Retroactive payments to an individual by an employer on
18 reinstatement of the employee in a position, or payments by an employer
19 to an individual in lieu of reinstatement in a position which are
20 awarded or granted as the equivalent of the salary or wage which the
21 individual would have earned during a payroll period shall be
22 considered compensation earnable and the individual shall receive the
23 equivalent service credit;

24 (B) If a leave of absence is taken by an individual for the purpose
25 of serving in the state legislature, the salary which would have been
26 received for the position from which the leave of absence was taken,
27 shall be considered as compensation earnable if the employee's
28 contribution is paid by the employee and the employer's contribution is
29 paid by the employer or employee;

30 (C) Assault pay only as authorized by RCW 27.04.100, 72.01.045, and
31 72.09.240;

32 (D) Compensation that a member would have received but for a
33 disability occurring in the line of duty only as authorized by RCW
34 41.40.038;

35 (E) Compensation that a member receives due to participation in the
36 leave sharing program only as authorized by RCW 41.04.650 through
37 41.04.670; and

1 (F) Compensation that a member receives for being in standby
2 status. For the purposes of this section, a member is in standby
3 status when not being paid for time actually worked and the employer
4 requires the member to be prepared to report immediately for work, if
5 the need arises, although the need may not arise.

6 (ii) "Compensation earnable" does not include:

7 (A) Remuneration for unused sick leave authorized under RCW
8 41.04.340, 28A.400.210, or 28A.310.490;

9 (B) Remuneration for unused annual leave in excess of thirty days
10 as authorized by RCW 43.01.044 and 43.01.041.

11 (b) "Compensation earnable" for plan 2 and plan 3 members, means
12 salaries or wages earned by a member during a payroll period for
13 personal services, including overtime payments, and shall include wages
14 and salaries deferred under provisions established pursuant to sections
15 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
16 shall exclude nonmoney maintenance compensation and lump sum or other
17 payments for deferred annual sick leave, unused accumulated vacation,
18 unused accumulated annual leave, or any form of severance pay.

19 "Compensation earnable" for plan 2 and plan 3 members also includes
20 the following actual or imputed payments, which are not paid for
21 personal services:

22 (i) Retroactive payments to an individual by an employer on
23 reinstatement of the employee in a position, or payments by an employer
24 to an individual in lieu of reinstatement in a position which are
25 awarded or granted as the equivalent of the salary or wage which the
26 individual would have earned during a payroll period shall be
27 considered compensation earnable to the extent provided above, and the
28 individual shall receive the equivalent service credit;

29 (ii) In any year in which a member serves in the legislature, the
30 member shall have the option of having such member's compensation
31 earnable be the greater of:

32 (A) The compensation earnable the member would have received had
33 such member not served in the legislature; or

34 (B) Such member's actual compensation earnable received for
35 nonlegislative public employment and legislative service combined. Any
36 additional contributions to the retirement system required because
37 compensation earnable under (b)(ii)(A) of this subsection is greater

1 than compensation earnable under (b) (ii) (B) of this subsection shall be
2 paid by the member for both member and employer contributions;

3 (iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045,
4 and 72.09.240;

5 (iv) Compensation that a member would have received but for a
6 disability occurring in the line of duty only as authorized by RCW
7 41.40.038;

8 (v) Compensation that a member receives due to participation in the
9 leave sharing program only as authorized by RCW 41.04.650 through
10 41.04.670; and

11 (vi) Compensation that a member receives for being in standby
12 status. For the purposes of this section, a member is in standby
13 status when not being paid for time actually worked and the employer
14 requires the member to be prepared to report immediately for work, if
15 the need arises, although the need may not arise.

16 (9) (a) "Service" for plan 1 members, except as provided in RCW
17 41.40.088, means periods of employment in an eligible position or
18 positions for one or more employers rendered to any employer for which
19 compensation is paid, and includes time spent in office as an elected
20 or appointed official of an employer. Compensation earnable earned in
21 full time work for seventy hours or more in any given calendar month
22 shall constitute one service credit month except as provided in RCW
23 41.40.088. Compensation earnable earned for less than seventy hours in
24 any calendar month shall constitute one-quarter service credit month of
25 service except as provided in RCW 41.40.088. Only service credit
26 months and one-quarter service credit months shall be counted in the
27 computation of any retirement allowance or other benefit provided for
28 in this chapter. Any fraction of a year of service shall be taken into
29 account in the computation of such retirement allowance or benefits.
30 Time spent in standby status, whether compensated or not, is not
31 service.

32 (i) Service by a state employee officially assigned by the state on
33 a temporary basis to assist another public agency, shall be considered
34 as service as a state employee: PROVIDED, That service to any other
35 public agency shall not be considered service as a state employee if
36 such service has been used to establish benefits in any other public
37 retirement system.

1 (ii) An individual shall receive no more than a total of twelve
2 service credit months of service during any calendar year. If an
3 individual is employed in an eligible position by one or more employers
4 the individual shall receive no more than one service credit month
5 during any calendar month in which multiple service for seventy or more
6 hours is rendered.

7 (iii) A school district employee may count up to forty-five days of
8 sick leave as creditable service solely for the purpose of determining
9 eligibility to retire under RCW 41.40.180 as authorized by RCW
10 28A.400.300. For purposes of plan 1 "forty-five days" as used in RCW
11 28A.400.300 is equal to two service credit months. Use of less than
12 forty-five days of sick leave is creditable as allowed under this
13 subsection as follows:

14 (A) Less than twenty-two days equals one-quarter service credit
15 month;

16 (B) Twenty-two days equals one service credit month;

17 (C) More than twenty-two days but less than forty-five days equals
18 one and one-quarter service credit month.

19 (b) "Service" for plan 2 and plan 3 members, means periods of
20 employment by a member in an eligible position or positions for one or
21 more employers for which compensation earnable is paid. Compensation
22 earnable earned for ninety or more hours in any calendar month shall
23 constitute one service credit month except as provided in RCW
24 41.40.088. Compensation earnable earned for at least seventy hours but
25 less than ninety hours in any calendar month shall constitute one-half
26 service credit month of service. Compensation earnable earned for less
27 than seventy hours in any calendar month shall constitute one-quarter
28 service credit month of service. Time spent in standby status, whether
29 compensated or not, is not service.

30 Any fraction of a year of service shall be taken into account in
31 the computation of such retirement allowance or benefits.

32 (i) Service in any state elective position shall be deemed to be
33 full time service, except that persons serving in state elective
34 positions who are members of the Washington school employees'
35 retirement system, teachers' retirement system, public safety
36 employees' retirement system, or law enforcement officers' and fire
37 fighters' retirement system at the time of election or appointment to

1 such position may elect to continue membership in the Washington school
2 employees' retirement system, teachers' retirement system, public
3 safety employees' retirement system, or law enforcement officers' and
4 fire fighters' retirement system.

5 (ii) A member shall receive a total of not more than twelve service
6 credit months of service for such calendar year. If an individual is
7 employed in an eligible position by one or more employers the
8 individual shall receive no more than one service credit month during
9 any calendar month in which multiple service for ninety or more hours
10 is rendered.

11 (iii) Up to forty-five days of sick leave may be creditable as
12 service solely for the purpose of determining eligibility to retire
13 under RCW 41.40.180 as authorized by RCW 28A.400.300. For purposes of
14 plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal
15 to two service credit months. Use of less than forty-five days of sick
16 leave is creditable as allowed under this subsection as follows:

17 (A) Less than eleven days equals one-quarter service credit month;

18 (B) Eleven or more days but less than twenty-two days equals one-
19 half service credit month;

20 (C) Twenty-two days equals one service credit month;

21 (D) More than twenty-two days but less than thirty-three days
22 equals one and one-quarter service credit month;

23 (E) Thirty-three or more days but less than forty-five days equals
24 one and one-half service credit month.

25 (10) "Service credit year" means an accumulation of months of
26 service credit which is equal to one when divided by twelve.

27 (11) "Service credit month" means a month or an accumulation of
28 months of service credit which is equal to one.

29 (12) "Prior service" means all service of an original member
30 rendered to any employer prior to October 1, 1947.

31 (13) "Membership service" means:

32 (a) All service rendered, as a member, after October 1, 1947;

33 (b) All service after October 1, 1947, to any employer prior to the
34 time of its admission into the retirement system for which member and
35 employer contributions, plus interest as required by RCW 41.50.125,
36 have been paid under RCW 41.40.056 or 41.40.057;

1 (c) Service not to exceed six consecutive months of probationary
2 service rendered after April 1, 1949, and prior to becoming a member,
3 in the case of any member, upon payment in full by such member of the
4 total amount of the employer's contribution to the retirement fund
5 which would have been required under the law in effect when such
6 probationary service was rendered if the member had been a member
7 during such period, except that the amount of the employer's
8 contribution shall be calculated by the director based on the first
9 month's compensation earnable as a member;

10 (d) Service not to exceed six consecutive months of probationary
11 service, rendered after October 1, 1947, and before April 1, 1949, and
12 prior to becoming a member, in the case of any member, upon payment in
13 full by such member of five percent of such member's salary during said
14 period of probationary service, except that the amount of the
15 employer's contribution shall be calculated by the director based on
16 the first month's compensation earnable as a member.

17 (14)(a) "Beneficiary" for plan 1 members, means any person in
18 receipt of a retirement allowance, pension or other benefit provided by
19 this chapter.

20 (b) "Beneficiary" for plan 2 and plan 3 members, means any person
21 in receipt of a retirement allowance or other benefit provided by this
22 chapter resulting from service rendered to an employer by another
23 person.

24 (15) "Regular interest" means such rate as the director may
25 determine.

26 (16) "Accumulated contributions" means the sum of all contributions
27 standing to the credit of a member in the member's individual account,
28 including any amount paid under RCW 41.50.165(2), together with the
29 regular interest thereon.

30 (17)(a) "Average final compensation" for plan 1 members, means the
31 annual average of the greatest compensation earnable by a member during
32 any consecutive two year period of service credit months for which
33 service credit is allowed; or if the member has less than two years of
34 service credit months then the annual average compensation earnable
35 during the total years of service for which service credit is allowed.

36 (b) "Average final compensation" for plan 2 and plan 3 members,
37 means the member's average compensation earnable of the highest

1 consecutive sixty months of service credit months prior to such
2 member's retirement, termination, or death. Periods constituting
3 authorized leaves of absence may not be used in the calculation of
4 average final compensation except under RCW 41.40.710(2).

5 (18) "Final compensation" means the annual rate of compensation
6 earnable by a member at the time of termination of employment.

7 (19) "Annuity" means payments for life derived from accumulated
8 contributions of a member. All annuities shall be paid in monthly
9 installments.

10 (20) "Pension" means payments for life derived from contributions
11 made by the employer. All pensions shall be paid in monthly
12 installments.

13 (21) "Retirement allowance" means the sum of the annuity and the
14 pension.

15 (22) "Employee" or "employed" means a person who is providing
16 services for compensation to an employer, unless the person is free
17 from the employer's direction and control over the performance of work.
18 The department shall adopt rules and interpret this subsection
19 consistent with common law.

20 (23) "Actuarial equivalent" means a benefit of equal value when
21 computed upon the basis of such mortality and other tables as may be
22 adopted by the director.

23 (24) "Retirement" means withdrawal from active service with a
24 retirement allowance as provided by this chapter.

25 (25) "Eligible position" means:

26 (a) Any position that, as defined by the employer, normally
27 requires five or more months of service a year for which regular
28 compensation for at least seventy hours is earned by the occupant
29 thereof. For purposes of this chapter an employer shall not define
30 "position" in such a manner that an employee's monthly work for that
31 employer is divided into more than one position;

32 (b) Any position occupied by an elected official or person
33 appointed directly by the governor, or appointed by the chief justice
34 of the supreme court under RCW 2.04.240(2) or 2.06.150(2), for which
35 compensation is paid.

1 (26) "Ineligible position" means any position which does not
2 conform with the requirements set forth in subsection (25) of this
3 section.

4 (27) "Leave of absence" means the period of time a member is
5 authorized by the employer to be absent from service without being
6 separated from membership.

7 (28) "Totally incapacitated for duty" means total inability to
8 perform the duties of a member's employment or office or any other work
9 for which the member is qualified by training or experience.

10 (29) "Retiree" means any person who has begun accruing a retirement
11 allowance or other benefit provided by this chapter resulting from
12 service rendered to an employer while a member.

13 (30) "Director" means the director of the department.

14 (31) "State elective position" means any position held by any
15 person elected or appointed to statewide office or elected or appointed
16 as a member of the legislature.

17 (32) "State actuary" or "actuary" means the person appointed
18 pursuant to RCW 44.44.010(2).

19 (33) "Plan 1" means the public employees' retirement system, plan
20 1 providing the benefits and funding provisions covering persons who
21 first became members of the system prior to October 1, 1977.

22 (34) "Plan 2" means the public employees' retirement system, plan
23 2 providing the benefits and funding provisions covering persons who
24 first became members of the system on and after October 1, 1977, and
25 are not included in plan 3.

26 (35) "Plan 3" means the public employees' retirement system, plan
27 3 providing the benefits and funding provisions covering persons who:

28 (a) First become a member on or after:

29 (i) March 1, 2002, and are employed by a state agency or institute
30 of higher education and who did not choose to enter plan 2; or

31 (ii) September 1, 2002, and are employed by other than a state
32 agency or institute of higher education and who did not choose to enter
33 plan 2; or

34 (b) Transferred to plan 3 under RCW 41.40.795.

35 (36) "Index" means, for any calendar year, that year's annual
36 average consumer price index, Seattle, Washington area, for urban wage

1 earners and clerical workers, all items, compiled by the bureau of
2 labor statistics, United States department of labor.

3 (37) "Index A" means the index for the year prior to the
4 determination of a postretirement adjustment.

5 (38) "Index B" means the index for the year prior to index A.

6 (39) "Index year" means the earliest calendar year in which the
7 index is more than sixty percent of index A.

8 (40) "Adjustment ratio" means the value of index A divided by index
9 B.

10 (41) "Annual increase" means, initially, fifty-nine cents per month
11 per year of service which amount shall be increased each July 1st by
12 three percent, rounded to the nearest cent.

13 (42) "Separation from service" occurs when a person has terminated
14 all employment with an employer. Separation from service or employment
15 does not occur, and if claimed by an employer or employee may be a
16 violation of RCW 41.40.055, when an employee and employer have a
17 written or oral agreement to resume employment with the same employer
18 following termination. Mere expressions or inquiries about post-
19 retirement employment by an employer or employee that do not constitute
20 a commitment to re-employ the employee after retirement are not an
21 agreement under this subsection.

22 (43) "Member account" or "member's account" for purposes of plan 3
23 means the sum of the contributions and earnings on behalf of the member
24 in the defined contribution portion of plan 3.

25 **Sec. 5.** RCW 41.40.037 and 2005 c 319 s 103 are each amended to
26 read as follows:

27 (1)(a) If a retiree enters employment with an employer sooner than
28 one calendar month after his or her accrual date, the retiree's monthly
29 retirement allowance will be reduced by five and one-half percent for
30 every eight hours worked during that month. This reduction will be
31 applied each month until the retiree remains absent from employment
32 with an employer for one full calendar month.

33 (b) The benefit reduction provided in (a) of this subsection will
34 accrue for a maximum of one hundred sixty hours per month. Any benefit

1 reduction over one hundred percent will be applied to the benefit the
2 retiree is eligible to receive in subsequent months.

3 (2) (a) Except as provided in (b) of this subsection, a retiree from
4 plan 1 who enters employment with an employer at least one calendar
5 month after his or her accrual date may continue to receive pension
6 payments while engaged in such service for up to eight hundred sixty-
7 seven hours of service in a calendar year without a reduction of
8 pension.

9 (b) A retiree from plan 1 who enters employment with an employer at
10 least three calendar months after his or her accrual date and:

11 (i) Is hired pursuant to a written policy into a position for which
12 the employer has documented a justifiable need to hire a retiree into
13 the position;

14 (ii) Is hired through the established process for the position with
15 the approval of: A school board for a school district; the chief
16 executive officer of a state agency employer; the secretary of the
17 senate for the senate; the chief clerk of the house of representatives
18 for the house of representatives; the secretary of the senate and the
19 chief clerk of the house of representatives jointly for the joint
20 legislative audit and review committee, the ((joint))select committee
21 on pension policy, the legislative evaluation and accountability
22 program, the legislative systems committee, and the statute law
23 committee; or according to rules adopted for the rehiring of retired
24 plan 1 members for a local government employer;

25 (iii) The employer retains records of the procedures followed and
26 decisions made in hiring the retiree, and provides those records in the
27 event of an audit; and

28 (iv) The employee has not already rendered a cumulative total of
29 more than one thousand nine hundred hours of service while in receipt
30 of pension payments beyond an annual threshold of eight hundred sixty-
31 seven hours;

32 shall cease to receive pension payments while engaged in that service
33 after the retiree has rendered service for more than one thousand five
34 hundred hours in a calendar year. The one thousand nine hundred hour
35 cumulative total under this subsection applies prospectively to those
36 retiring after July 27, 2003, and retroactively to those who retired

1 prior to July 27, 2003, and shall be calculated from the date of
2 retirement.

3 (c) When a plan 1 member renders service beyond eight hundred
4 sixty-seven hours, the department shall collect from the employer the
5 applicable employer retirement contributions for the entire duration of
6 the member's employment during that calendar year.

7 (d) A retiree from plan 2 or plan 3 who has satisfied the break in
8 employment requirement of subsection (1) of this section may work up to
9 eight hundred sixty-seven hours in a calendar year in an eligible
10 position, as defined in RCW 41.32.010, 41.35.010, 41.37.010, or
11 41.40.010, or as a fire fighter or law enforcement officer, as defined
12 in RCW 41.26.030, without suspension of his or her benefit.

13 (3) If the retiree opts to reestablish membership under RCW
14 41.40.023(12), he or she terminates his or her retirement status and
15 becomes a member. Retirement benefits shall not accrue during the
16 period of membership and the individual shall make contributions and
17 receive membership credit. Such a member shall have the right to again
18 retire if eligible in accordance with RCW 41.40.180. However, if the
19 right to retire is exercised to become effective before the member has
20 rendered two uninterrupted years of service, the retirement formula and
21 survivor options the member had at the time of the member's previous
22 retirement shall be reinstated.

23 (4) The department shall collect and provide the state actuary with
24 information relevant to the use of this section for the select
25 committee on pension policy.

26 (5) The legislature reserves the right to amend or repeal this
27 section in the future and no member or beneficiary has a contractual
28 right to be employed for more than five months in a calendar year
29 without a reduction of his or her pension.

30 NEW SECTION. **Sec. 6.** This act takes effect July 1, 2006.

--- END ---

DRAFT FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	11/23/05	Post-Ret Employment

SUMMARY OF BILL:

This bill impacts the Plan 1 of the Teachers' Retirement System (TRS 1) and Plan 1 of the Public Employees' Retirement System (PERS 1). It adds some of the same general hiring qualifications to TRS 1 as currently exist for PERS 1 retirees who seek to work in excess of 867 hours annually. Those include a prohibition of any written or verbal agreement to return to work with the same employer. Under the proposed legislation, a TRS 1 separation from service that is pursuant to such an agreement would constitute a potential misdemeanor violation of the statute entitled "Penalties for False Statements," RCW 41.32.055. Further, TRS 1 employers would be subject to certain record-keeping requirements when they rehire these retirees, including documentation of the need to hire the retiree and records of the actual hiring process. The language for these requirements largely tracks that of the existing PERS 1 statute. Finally, the bill would require both PERS 1 and TRS 1 employers to rehire retirees pursuant to a written policy.

Effective Date: July 1, 2006

CURRENT SITUATION:

Currently, PERS 1 retirees are subject to more specific rules affecting post-retirement employment than TRS 1 retirees. PERS 1 retirees are subject to an amended definition of "separation from service" so that any written or verbal agreement to return to work with the same employer creates a potential violation of the statute entitled "Penalties for False Statements," RCW 41.40.55. Further, PERS 1 employers are subject to certain record-keeping requirements when they hire these retirees, including documentation of the need to hire the retirees and records of the actual hiring process.

Currently, there is no requirement in either system to hire retirees pursuant to a written policy.

MEMBERS IMPACTED:

This bill potentially affects all current and future PERS 1 and TRS 1 retirees. Beneficiaries of retired members are not affected. Members potentially affected include 69,126 PERS 1 and 43,511 TRS 1 active, terminated vested, and retired members as of September 30, 2004.

FISCAL IMPACT:

None. We assume that the changes proposed under this bill will not alter future retirement behavior in the affected systems.

1 AN ACT Relating to optional membership and distributions of
2 retirement allowances for certain members of the teachers', school
3 employees', and public employees' retirement systems; amending RCW
4 41.32.263 and 41.35.030; reenacting and amending RCW 41.32.010 and
5 41.40.023; adding a new section to chapter 41.32 RCW; adding a new
6 section to chapter 41.35 RCW; and adding a new section to chapter 41.40
7 RCW.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.32 RCW
10 to read as follows:

11 A member who retires on or after attainment of age seventy and one-
12 half and enters employment with an employer at least one month after
13 his or her accrual date may continue to receive pension payments while
14 engaged in such service without restriction. The retiree is no longer
15 an active member and may not make contributions, or receive service
16 credit, for future periods of employment while receiving his or her
17 retirement allowance. This section does not apply to any member who is
18 a state elected official unless that member leaves elected office or is
19 reappointed or reelected after the effective date of this act.

1 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.35 RCW
2 to read as follows:

3 A member who retires on or after attainment of age seventy and one-
4 half and enters employment with an employer at least one month after
5 his or her accrual date may continue to receive pension payments while
6 engaged in such service without restriction. The retiree is no longer
7 an active member and may not make contributions, or receive service
8 credit, for future periods of employment while receiving his or her
9 retirement allowance. This section does not apply to any member who is
10 a state elected official unless that member leaves elected office or is
11 reappointed or reelected after the effective date of this act.

12 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.40 RCW
13 to read as follows:

14 A member who retires on or after attainment of age seventy and one-
15 half and enters employment with an employer at least one month after
16 his or her accrual date may continue to receive pension payments while
17 engaged in such service without restriction. The retiree is no longer
18 an active member and may not make contributions, or receive service
19 credit, for future periods of employment while receiving his or her
20 retirement allowance. This section does not apply to any member who is
21 a state elected official unless that member leaves elected office or is
22 reappointed or reelected after the effective date of this act.

23 **Sec. 4.** RCW 41.32.010 and 2005 c 131 s 8 and 2005 c 23 s 1 are
24 each reenacted and amended to read as follows:

25 As used in this chapter, unless a different meaning is plainly
26 required by the context:

27 (1)(a) "Accumulated contributions" for plan 1 members, means the
28 sum of all regular annuity contributions and, except for the purpose of
29 withdrawal at the time of retirement, any amount paid under RCW
30 41.50.165(2) with regular interest thereon.

31 (b) "Accumulated contributions" for plan 2 members, means the sum
32 of all contributions standing to the credit of a member in the member's
33 individual account, including any amount paid under RCW 41.50.165(2),
34 together with the regular interest thereon.

35 (2) "Actuarial equivalent" means a benefit of equal value when

1 computed upon the basis of such mortality tables and regulations as
2 shall be adopted by the director and regular interest.

3 (3) "Annuity" means the moneys payable per year during life by
4 reason of accumulated contributions of a member.

5 (4) "Member reserve" means the fund in which all of the accumulated
6 contributions of members are held.

7 (5)(a) "Beneficiary" for plan 1 members, means any person in
8 receipt of a retirement allowance or other benefit provided by this
9 chapter.

10 (b) "Beneficiary" for plan 2 and plan 3 members, means any person
11 in receipt of a retirement allowance or other benefit provided by this
12 chapter resulting from service rendered to an employer by another
13 person.

14 (6) "Contract" means any agreement for service and compensation
15 between a member and an employer.

16 (7) "Creditable service" means membership service plus prior
17 service for which credit is allowable. This subsection shall apply
18 only to plan 1 members.

19 (8) "Dependent" means receiving one-half or more of support from a
20 member.

21 (9) "Disability allowance" means monthly payments during
22 disability. This subsection shall apply only to plan 1 members.

23 (10)(a) "Earnable compensation" for plan 1 members, means:

24 (i) All salaries and wages paid by an employer to an employee
25 member of the retirement system for personal services rendered during
26 a fiscal year. In all cases where compensation includes maintenance
27 the employer shall fix the value of that part of the compensation not
28 paid in money.

29 (ii) For an employee member of the retirement system teaching in an
30 extended school year program, two consecutive extended school years, as
31 defined by the employer school district, may be used as the annual
32 period for determining earnable compensation in lieu of the two fiscal
33 years.

34 (iii) "Earnable compensation" for plan 1 members also includes the
35 following actual or imputed payments, which are not paid for personal
36 services:

37 (A) Retroactive payments to an individual by an employer on
38 reinstatement of the employee in a position, or payments by an employer

1 to an individual in lieu of reinstatement in a position which are
2 awarded or granted as the equivalent of the salary or wages which the
3 individual would have earned during a payroll period shall be
4 considered earnable compensation and the individual shall receive the
5 equivalent service credit.

6 (B) If a leave of absence, without pay, is taken by a member for
7 the purpose of serving as a member of the state legislature, and such
8 member has served in the legislature five or more years, the salary
9 which would have been received for the position from which the leave of
10 absence was taken shall be considered as compensation earnable if the
11 employee's contribution thereon is paid by the employee. In addition,
12 where a member has been a member of the state legislature for five or
13 more years, earnable compensation for the member's two highest
14 compensated consecutive years of service shall include a sum not to
15 exceed thirty-six hundred dollars for each of such two consecutive
16 years, regardless of whether or not legislative service was rendered
17 during those two years.

18 (iv) For members employed less than full time under written
19 contract with a school district, or community college district, in an
20 instructional position, for which the member receives service credit of
21 less than one year in all of the years used to determine the earnable
22 compensation used for computing benefits due under RCW 41.32.497,
23 41.32.498, and 41.32.520, the member may elect to have earnable
24 compensation defined as provided in RCW 41.32.345. For the purposes of
25 this subsection, the term "instructional position" means a position in
26 which more than seventy-five percent of the member's time is spent as
27 a classroom instructor (including office hours), a librarian, a
28 psychologist, a social worker, a nurse, a physical therapist, an
29 occupational therapist, a speech language pathologist or audiologist,
30 or a counselor. Earnable compensation shall be so defined only for the
31 purpose of the calculation of retirement benefits and only as necessary
32 to insure that members who receive fractional service credit under RCW
33 41.32.270 receive benefits proportional to those received by members
34 who have received full-time service credit.

35 (v) "Earnable compensation" does not include:

36 (A) Remuneration for unused sick leave authorized under RCW
37 41.04.340, 28A.400.210, or 28A.310.490;

1 (B) Remuneration for unused annual leave in excess of thirty days
2 as authorized by RCW 43.01.044 and 43.01.041.

3 (b) "Earnable compensation" for plan 2 and plan 3 members, means
4 salaries or wages earned by a member during a payroll period for
5 personal services, including overtime payments, and shall include wages
6 and salaries deferred under provisions established pursuant to sections
7 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
8 shall exclude lump sum payments for deferred annual sick leave, unused
9 accumulated vacation, unused accumulated annual leave, or any form of
10 severance pay.

11 "Earnable compensation" for plan 2 and plan 3 members also includes
12 the following actual or imputed payments which, except in the case of
13 (b)(ii)(B) of this subsection, are not paid for personal services:

14 (i) Retroactive payments to an individual by an employer on
15 reinstatement of the employee in a position or payments by an employer
16 to an individual in lieu of reinstatement in a position which are
17 awarded or granted as the equivalent of the salary or wages which the
18 individual would have earned during a payroll period shall be
19 considered earnable compensation, to the extent provided above, and the
20 individual shall receive the equivalent service credit.

21 (ii) In any year in which a member serves in the legislature the
22 member shall have the option of having such member's earnable
23 compensation be the greater of:

24 (A) The earnable compensation the member would have received had
25 such member not served in the legislature; or

26 (B) Such member's actual earnable compensation received for
27 teaching and legislative service combined. Any additional
28 contributions to the retirement system required because compensation
29 earnable under (b)(ii)(A) of this subsection is greater than
30 compensation earnable under (b)(ii)(B) of this subsection shall be paid
31 by the member for both member and employer contributions.

32 (11) "Employer" means the state of Washington, the school district,
33 or any agency of the state of Washington by which the member is paid.

34 (12) "Fiscal year" means a year which begins July 1st and ends June
35 30th of the following year.

36 (13) "Former state fund" means the state retirement fund in
37 operation for teachers under chapter 187, Laws of 1923, as amended.

1 (14) "Local fund" means any of the local retirement funds for
2 teachers operated in any school district in accordance with the
3 provisions of chapter 163, Laws of 1917 as amended.

4 (15) "Member" means any teacher included in the membership of the
5 retirement system who has not been removed from membership under RCW
6 41.32.878 or 41.32.768. Also, any other employee of the public schools
7 who, on July 1, 1947, had not elected to be exempt from membership and
8 who, prior to that date, had by an authorized payroll deduction,
9 contributed to the member reserve.

10 (16) "Membership service" means service rendered subsequent to the
11 first day of eligibility of a person to membership in the retirement
12 system: PROVIDED, That where a member is employed by two or more
13 employers the individual shall receive no more than one service credit
14 month during any calendar month in which multiple service is rendered.
15 The provisions of this subsection shall apply only to plan 1 members.

16 (17) "Pension" means the moneys payable per year during life from
17 the pension reserve.

18 (18) "Pension reserve" is a fund in which shall be accumulated an
19 actuarial reserve adequate to meet present and future pension
20 liabilities of the system and from which all pension obligations are to
21 be paid.

22 (19) "Prior service" means service rendered prior to the first date
23 of eligibility to membership in the retirement system for which credit
24 is allowable. The provisions of this subsection shall apply only to
25 plan 1 members.

26 (20) "Prior service contributions" means contributions made by a
27 member to secure credit for prior service. The provisions of this
28 subsection shall apply only to plan 1 members.

29 (21) "Public school" means any institution or activity operated by
30 the state of Washington or any instrumentality or political subdivision
31 thereof employing teachers, except the University of Washington and
32 Washington State University.

33 (22) "Regular contributions" means the amounts required to be
34 deducted from the compensation of a member and credited to the member's
35 individual account in the member reserve. This subsection shall apply
36 only to plan 1 members.

37 (23) "Regular interest" means such rate as the director may
38 determine.

1 (24)(a) "Retirement allowance" for plan 1 members, means monthly
2 payments based on the sum of annuity and pension, or any optional
3 benefits payable in lieu thereof.

4 (b) "Retirement allowance" for plan 2 and plan 3 members, means
5 monthly payments to a retiree or beneficiary as provided in this
6 chapter.

7 (25) "Retirement system" means the Washington state teachers'
8 retirement system.

9 (26)(a) "Service" for plan 1 members means the time during which a
10 member has been employed by an employer for compensation.

11 (i) If a member is employed by two or more employers the individual
12 shall receive no more than one service credit month during any calendar
13 month in which multiple service is rendered.

14 (ii) As authorized by RCW 28A.400.300, up to forty-five days of
15 sick leave may be creditable as service solely for the purpose of
16 determining eligibility to retire under RCW 41.32.470.

17 (iii) As authorized in RCW 41.32.065, service earned in an out-of-
18 state retirement system that covers teachers in public schools may be
19 applied solely for the purpose of determining eligibility to retire
20 under RCW 41.32.470.

21 (b) "Service" for plan 2 and plan 3 members, means periods of
22 employment by a member for one or more employers for which earnable
23 compensation is earned subject to the following conditions:

24 (i) A member employed in an eligible position or as a substitute
25 shall receive one service credit month for each month of September
26 through August of the following year if he or she earns earnable
27 compensation for eight hundred ten or more hours during that period and
28 is employed during nine of those months, except that a member may not
29 receive credit for any period prior to the member's employment in an
30 eligible position except as provided in RCW 41.32.812 and
31 41.50.132((+)).

32 (ii) If a member is employed either in an eligible position or as
33 a substitute teacher for nine months of the twelve month period between
34 September through August of the following year but earns earnable
35 compensation for less than eight hundred ten hours but for at least six
36 hundred thirty hours, he or she will receive one-half of a service
37 credit month for each month of the twelve month period((+)).

1 (iii) All other members in an eligible position or as a substitute
2 teacher shall receive service credit as follows:

3 (A) A service credit month is earned in those calendar months where
4 earnable compensation is earned for ninety or more hours;

5 (B) A half-service credit month is earned in those calendar months
6 where earnable compensation is earned for at least seventy hours but
7 less than ninety hours; and

8 (C) A quarter-service credit month is earned in those calendar
9 months where earnable compensation is earned for less than seventy
10 hours.

11 (iv) Any person who is a member of the teachers' retirement system
12 and who is elected or appointed to a state elective position may
13 continue to be a member of the retirement system and continue to
14 receive a service credit month for each of the months in a state
15 elective position by making the required member contributions.

16 (v) Any member of the teachers' retirement system plan 2 or plan 3
17 who is elected to the state legislature has the option during a ninety-
18 day period at the beginning of each term of office either to resume
19 membership or to end membership in the retirement system and if
20 otherwise eligible begin their retirement allowance. A state
21 legislator who chooses to end membership at the beginning of a term of
22 office and begin their retirement allowance shall neither make
23 contributions nor earn service credit for the duration of that term.

24 (vi) Any member of the teachers' retirement system plan 2 or plan
25 3 who is elected to a state elective position other than the state
26 legislature has the option during a ninety-day period at the beginning
27 of each term of office either to resume membership or to end membership
28 in the retirement system and if otherwise eligible begin their
29 retirement allowance. A state elected official other than a state
30 legislator who chooses to end membership at the beginning of a term of
31 office and begin their retirement allowance shall neither make
32 contributions nor earn service credit for the duration of that term.

33 (vii) When an individual is employed by two or more employers the
34 individual shall only receive one month's service credit during any
35 calendar month in which multiple service for ninety or more hours is
36 rendered.

37 (~~((vi))~~) (viii) As authorized by RCW 28A.400.300, up to forty-five
38 days of sick leave may be creditable as service solely for the purpose

1 of determining eligibility to retire under RCW 41.32.470. For purposes
2 of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is
3 equal to two service credit months. Use of less than forty-five days
4 of sick leave is creditable as allowed under this subsection as
5 follows:

6 (A) Less than eleven days equals one-quarter service credit month;

7 (B) Eleven or more days but less than twenty-two days equals one-
8 half service credit month;

9 (C) Twenty-two days equals one service credit month;

10 (D) More than twenty-two days but less than thirty-three days
11 equals one and one-quarter service credit month;

12 (E) Thirty-three or more days but less than forty-five days equals
13 one and one-half service credit month.

14 (~~((vii))~~) (ix) As authorized in RCW 41.32.065, service earned in an
15 out-of-state retirement system that covers teachers in public schools
16 may be applied solely for the purpose of determining eligibility to
17 retire under RCW 41.32.470.

18 (~~((viii))~~) (x) The department shall adopt rules implementing this
19 subsection.

20 (27) "Service credit year" means an accumulation of months of
21 service credit which is equal to one when divided by twelve.

22 (28) "Service credit month" means a full service credit month or an
23 accumulation of partial service credit months that are equal to one.

24 (29) "Teacher" means any person qualified to teach who is engaged
25 by a public school in an instructional, administrative, or supervisory
26 capacity. The term includes state, educational service district, and
27 school district superintendents and their assistants and all employees
28 certificated by the superintendent of public instruction; and in
29 addition thereto any full time school doctor who is employed by a
30 public school and renders service of an instructional or educational
31 nature.

32 (30) "Average final compensation" for plan 2 and plan 3 members,
33 means the member's average earnable compensation of the highest
34 consecutive sixty service credit months prior to such member's
35 retirement, termination, or death. Periods constituting authorized
36 leaves of absence may not be used in the calculation of average final
37 compensation except under RCW 41.32.810(2).

1 (31) "Retiree" means any person who has begun accruing a retirement
2 allowance or other benefit provided by this chapter resulting from
3 service rendered to an employer while a member.

4 (32) "Department" means the department of retirement systems
5 created in chapter 41.50 RCW.

6 (33) "Director" means the director of the department.

7 (34) "State elective position" means any position held by any
8 person elected or appointed to statewide office or elected or appointed
9 as a member of the legislature.

10 (35) "State actuary" or "actuary" means the person appointed
11 pursuant to RCW 44.44.010(2).

12 (36) "Substitute teacher" means:

13 (a) A teacher who is hired by an employer to work as a temporary
14 teacher, except for teachers who are annual contract employees of an
15 employer and are guaranteed a minimum number of hours; or

16 (b) Teachers who either (i) work in ineligible positions for more
17 than one employer or (ii) work in an ineligible position or positions
18 together with an eligible position.

19 (37)(a) "Eligible position" for plan 2 members from June 7, 1990,
20 through September 1, 1991, means a position which normally requires two
21 or more uninterrupted months of creditable service during September
22 through August of the following year.

23 (b) "Eligible position" for plan 2 and plan 3 on and after
24 September 1, 1991, means a position that, as defined by the employer,
25 normally requires five or more months of at least seventy hours of
26 earnable compensation during September through August of the following
27 year.

28 (c) For purposes of this chapter an employer shall not define
29 "position" in such a manner that an employee's monthly work for that
30 employer is divided into more than one position.

31 (d) The elected position of the superintendent of public
32 instruction is an eligible position.

33 (38) "Plan 1" means the teachers' retirement system, plan 1
34 providing the benefits and funding provisions covering persons who
35 first became members of the system prior to October 1, 1977.

36 (39) "Plan 2" means the teachers' retirement system, plan 2
37 providing the benefits and funding provisions covering persons who

1 first became members of the system on and after October 1, 1977, and
2 prior to July 1, 1996.

3 (40) "Plan 3" means the teachers' retirement system, plan 3
4 providing the benefits and funding provisions covering persons who
5 first become members of the system on and after July 1, 1996, or who
6 transfer under RCW 41.32.817.

7 (41) "Index" means, for any calendar year, that year's annual
8 average consumer price index, Seattle, Washington area, for urban wage
9 earners and clerical workers, all items compiled by the bureau of labor
10 statistics, United States department of labor.

11 (42) "Index A" means the index for the year prior to the
12 determination of a postretirement adjustment.

13 (43) "Index B" means the index for the year prior to index A.

14 (44) "Index year" means the earliest calendar year in which the
15 index is more than sixty percent of index A.

16 (45) "Adjustment ratio" means the value of index A divided by index
17 B.

18 (46) "Annual increase" means, initially, fifty-nine cents per month
19 per year of service which amount shall be increased each July 1st by
20 three percent, rounded to the nearest cent.

21 (47) "Member account" or "member's account" for purposes of plan 3
22 means the sum of the contributions and earnings on behalf of the member
23 in the defined contribution portion of plan 3.

24 (48) "Separation from service or employment" occurs when a person
25 has terminated all employment with an employer.

26 (49) "Employed" or "employee" means a person who is providing
27 services for compensation to an employer, unless the person is free
28 from the employer's direction and control over the performance of work.
29 The department shall adopt rules and interpret this subsection
30 consistent with common law.

31 **Sec. 5.** RCW 41.32.263 and 1991 c 35 s 41 are each amended to read
32 as follows:

33 A member of the retirement system who is a member of the state
34 legislature or a state official eligible for the combined pension and
35 annuity provided by RCW 41.32.497((7)) or 41.32.498(~~(7, as now or~~
36 ~~hereafter amended)~~) shall have deductions taken from his or her salary
37 in the amount of seven and one-half percent of earnable compensation

1 and that service credit shall be established with the retirement system
2 while such deductions are reported to the retirement system, unless he
3 or she has by reason of his or her employment become a contributing
4 member of another public retirement system in the state of Washington.
5 Such elected official who has retired or otherwise terminated his or
6 her public school service may then elect to terminate his or her
7 membership in the retirement system and receive retirement benefits
8 while continuing to serve as an elected official. A member of the
9 retirement system who had previous service as an elected or appointed
10 official, for which he or she did not contribute to the retirement
11 system, may receive credit for such legislative service unless he or
12 she has received credit for that service in another state retirement
13 system, upon making contributions in such amounts as shall be
14 determined by the (~~board of trustees~~) director.

15 **Sec. 6.** RCW 41.35.030 and 2005 c 131 s 9 are each amended to read
16 as follows:

17 Membership in the retirement system shall consist of all regularly
18 compensated classified employees and appointive and elective officials
19 of employers, as defined in this chapter, with the following
20 exceptions:

21 (1) Persons in ineligible positions;

22 (2)(a) Persons holding elective offices or persons appointed
23 directly by the governor: PROVIDED, That such persons shall have the
24 option of applying for membership during such periods of employment:
25 AND PROVIDED FURTHER, That any persons holding or who have held
26 elective offices or persons appointed by the governor who are members
27 in the retirement system and who have, prior to becoming such members,
28 previously held an elective office, and did not at the start of such
29 initial or successive terms of office exercise their option to become
30 members, may apply for membership to be effective during such term or
31 terms of office, and shall be allowed to establish the service credit
32 applicable to such term or terms of office upon payment of the employee
33 contributions therefor by the employee with interest as determined by
34 the director and employer contributions therefor by the employer or
35 employee with interest as determined by the director: AND PROVIDED
36 FURTHER, That all contributions with interest submitted by the employee
37 under this subsection shall be placed in the employee's individual

1 account in the employee's savings fund and be treated as any other
2 contribution made by the employee, with the exception that any
3 contributions submitted by the employee in payment of the employer's
4 obligation, together with the interest the director may apply to the
5 employer's contribution, shall not be considered part of the member's
6 annuity for any purpose except withdrawal of contributions;

7 (b) A member holding elective office other than state elective
8 office who has elected to apply for membership pursuant to (a) of this
9 subsection and who later (~~((wishes to be))~~) is eligible for a retirement
10 allowance shall have the option of ending his or her membership in the
11 retirement system. A member (~~((wishing to end))~~) ending his or her
12 membership under this subsection must file on a form supplied by the
13 department a statement indicating that the member agrees to irrevocably
14 abandon any claim for service for future periods served as an elected
15 official. A member who receives more than fifteen thousand dollars per
16 year in compensation for his or her elective service, adjusted annually
17 for inflation by the director, is not eligible for the option provided
18 by this subsection (2)(b);

19 (c) Any member of the school employees' retirement system plan 2 or
20 plan 3 who is elected to the state legislature has the option during a
21 ninety-day period at the beginning of each term of office either to
22 resume membership or to end membership in the retirement system and if
23 otherwise eligible begin their retirement allowance. A state
24 legislator who chooses to end membership at the beginning of a term of
25 office and begin their retirement allowance shall neither make
26 contributions nor earn service credit for the duration of that term;

27 (d) Any member of the school employees' retirement system plan 2 or
28 plan 3 who is elected to a state elective position other than the state
29 legislature has the option during a ninety-day period at the beginning
30 of each term of office either to resume membership or to end membership
31 in the retirement system and if otherwise eligible begin their
32 retirement allowance. A state elected official other than a state
33 legislator who chooses to end membership at the beginning of a term of
34 office and begin their retirement allowance shall neither make
35 contributions nor earn service credit for the duration of that term;

36 (3) Retirement system retirees: PROVIDED, That following
37 reemployment in an eligible position, a retiree may elect to

1 prospectively become a member of the retirement system if otherwise
2 eligible;

3 (4) Persons enrolled in state-approved apprenticeship programs,
4 authorized under chapter 49.04 RCW, and who are employed by employers
5 to earn hours to complete such apprenticeship programs, if the employee
6 is a member of a union-sponsored retirement plan and is making
7 contributions to such a retirement plan or if the employee is a member
8 of a Taft-Hartley retirement plan;

9 (5) Persons rendering professional services to an employer on a
10 fee, retainer, or contract basis or when the income from these services
11 is less than fifty percent of the gross income received from the
12 person's practice of a profession;

13 (6) Substitute employees, except for the purposes of the purchase
14 of service credit under RCW 41.35.033. Upon the return or termination
15 of the absent employee a substitute employee is replacing, that
16 substitute employee shall no longer be ineligible under this
17 subsection;

18 (7) Employees who (a) are not citizens of the United States, (b) do
19 not reside in the United States, and (c) perform duties outside of the
20 United States;

21 (8) Employees who (a) are not citizens of the United States, (b)
22 are not covered by chapter 41.48 RCW, (c) are not excluded from
23 membership under this chapter or chapter 41.04 RCW, (d) are residents
24 of this state, and (e) make an irrevocable election to be excluded from
25 membership, in writing, which is submitted to the director within
26 thirty days after employment in an eligible position;

27 (9) Employees who are citizens of the United States and who reside
28 and perform duties for an employer outside of the United States:
29 PROVIDED, That unless otherwise excluded under this chapter or chapter
30 41.04 RCW, the employee may apply for membership (a) within thirty days
31 after employment in an eligible position and membership service credit
32 shall be granted from the first day of membership service, and (b)
33 after this thirty-day period, but membership service credit shall be
34 granted only if payment is made for the noncredited membership service
35 under RCW 41.50.165(2), otherwise service shall be from the date of
36 application; and

37 (10) Employees who are removed from membership under RCW 41.35.683
38 or 41.35.423.

1 **Sec. 7.** RCW 41.40.023 and 2005 c 151 s 12 and 2005 c 131 s 7 are
2 each reenacted and amended to read as follows:

3 Membership in the retirement system shall consist of all regularly
4 compensated employees and appointive and elective officials of
5 employers, as defined in this chapter, with the following exceptions:

6 (1) Persons in ineligible positions;

7 (2) Employees of the legislature except the officers thereof
8 elected by the members of the senate and the house and legislative
9 committees, unless membership of such employees be authorized by the
10 said committee;

11 (3)(a) Persons holding elective offices or persons appointed
12 directly by the governor: PROVIDED, That such persons shall have the
13 option of applying for membership during such periods of employment:
14 AND PROVIDED FURTHER, That any persons holding or who have held
15 elective offices or persons appointed by the governor who are members
16 in the retirement system and who have, prior to becoming such members,
17 previously held an elective office, and did not at the start of such
18 initial or successive terms of office exercise their option to become
19 members, may apply for membership to be effective during such term or
20 terms of office, and shall be allowed to establish the service credit
21 applicable to such term or terms of office upon payment of the employee
22 contributions therefor by the employee with interest as determined by
23 the director and employer contributions therefor by the employer or
24 employee with interest as determined by the director: AND PROVIDED
25 FURTHER, That all contributions with interest submitted by the employee
26 under this subsection shall be placed in the employee's individual
27 account in the employee's savings fund and be treated as any other
28 contribution made by the employee, with the exception that any
29 contributions submitted by the employee in payment of the employer's
30 obligation, together with the interest the director may apply to the
31 employer's contribution, shall not be considered part of the member's
32 annuity for any purpose except withdrawal of contributions;

33 (b) A member holding elective office other than state elective
34 office who has elected to apply for membership pursuant to (a) of this
35 subsection and who later (~~wishes to be~~) is eligible for a retirement
36 allowance shall have the option of ending his or her membership in the
37 retirement system. A member (~~wishing to end~~) ending his or her
38 membership under this subsection must file, on a form supplied by the

1 department, a statement indicating that the member agrees to
2 irrevocably abandon any claim for service for future periods served as
3 an elected official. A member who receives more than fifteen thousand
4 dollars per year in compensation for his or her elective service,
5 adjusted annually for inflation by the director, is not eligible for
6 the option provided by this subsection (3)(b);

7 (c) Any member of the public employees' retirement system who is
8 elected to the state legislature has the option during a ninety-day
9 period at the beginning of each term of office either to resume
10 membership or to end membership in the retirement system and if
11 otherwise eligible begin their retirement allowance. A state
12 legislator who chooses to end membership at the beginning of a term of
13 office and begin their retirement allowance shall neither make
14 contributions nor earn service credit for the duration of that term;

15 (d) Any member of the public employees' retirement system who is
16 elected to a state elective position other than the state legislature
17 has the option during a ninety-day period at the beginning of each term
18 of office either to resume membership or to end membership in the
19 retirement system and if otherwise eligible begin their retirement
20 allowance. A state elected official other than a state legislator who
21 chooses to end membership at the beginning of a term of office and
22 begin their retirement allowance shall neither make contributions nor
23 earn service credit for the duration of that term;

24 (4) Employees holding membership in, or receiving pension benefits
25 under, any retirement plan operated wholly or in part by an agency of
26 the state or political subdivision thereof, or who are by reason of
27 their current employment contributing to or otherwise establishing the
28 right to receive benefits from any such retirement plan except as
29 follows:

30 (a) In any case where the retirement system has in existence an
31 agreement with another retirement system in connection with exchange of
32 service credit or an agreement whereby members can retain service
33 credit in more than one system, such an employee shall be allowed
34 membership rights should the agreement so provide;

35 (b) An employee shall be allowed membership if otherwise eligible
36 while receiving survivor's benefits;

37 (c) An employee shall not either before or after June 7, 1984, be
38 excluded from membership or denied service credit pursuant to this

1 subsection solely on account of: (i) Membership in the plan created
2 under chapter 2.14 RCW; or (ii) enrollment under the relief and
3 compensation provisions or the pension provisions of the volunteer fire
4 fighters' relief and pension fund under chapter 41.24 RCW;

5 (d) Except as provided in RCW 41.40.109, on or after July 25, 1999,
6 an employee shall not be excluded from membership or denied service
7 credit pursuant to this subsection solely on account of participation
8 in a defined contribution pension plan qualified under section 401 of
9 the internal revenue code;

10 (e) Employees who have been reported in the retirement system prior
11 to July 25, 1999, and who participated during the same period of time
12 in a defined contribution pension plan qualified under section 401 of
13 the internal revenue code and operated wholly or in part by the
14 employer, shall not be excluded from previous retirement system
15 membership and service credit on account of such participation;

16 (5) Patient and inmate help in state charitable, penal, and
17 correctional institutions;

18 (6) "Members" of a state veterans' home or state soldiers' home;

19 (7) Persons employed by an institution of higher learning or
20 community college, primarily as an incident to and in furtherance of
21 their education or training, or the education or training of a spouse;

22 (8) Employees of an institution of higher learning or community
23 college during the period of service necessary to establish eligibility
24 for membership in the retirement plans operated by such institutions;

25 (9) Persons rendering professional services to an employer on a
26 fee, retainer, or contract basis or when the income from these services
27 is less than fifty percent of the gross income received from the
28 person's practice of a profession;

29 (10) Persons appointed after April 1, 1963, by the liquor control
30 board as contract liquor store managers;

31 (11) Employees of a labor guild, association, or organization:
32 PROVIDED, That elective officials and employees of a labor guild,
33 association, or organization which qualifies as an employer within this
34 chapter shall have the option of applying for membership;

35 (12) Retirement system retirees: PROVIDED, That following
36 reemployment in an eligible position, a retiree may elect to
37 prospectively become a member of the retirement system if otherwise
38 eligible;

1 (13) Persons employed by or appointed or elected as an official of
2 a first class city that has its own retirement system: PROVIDED, That
3 any member elected or appointed to an elective office on or after April
4 1, 1971, shall have the option of continuing as a member of this system
5 in lieu of becoming a member of the city system. A member who elects
6 to continue as a member of this system shall pay the appropriate member
7 contributions and the city shall pay the employer contributions at the
8 rates prescribed by this chapter. The city shall also transfer to this
9 system all of such member's accumulated contributions together with
10 such further amounts as necessary to equal all employee and employer
11 contributions which would have been paid into this system on account of
12 such service with the city and thereupon the member shall be granted
13 credit for all such service. Any city that becomes an employer as
14 defined in RCW 41.40.010(4) as the result of an individual's election
15 under this subsection shall not be required to have all employees
16 covered for retirement under the provisions of this chapter. Nothing
17 in this subsection shall prohibit a city of the first class with its
18 own retirement system from: (a) Transferring all of its current
19 employees to the retirement system established under this chapter, or
20 (b) allowing newly hired employees the option of continuing coverage
21 under the retirement system established by this chapter.

22 Notwithstanding any other provision of this chapter, persons
23 transferring from employment with a first class city of over four
24 hundred thousand population that has its own retirement system to
25 employment with the state department of agriculture may elect to remain
26 within the retirement system of such city and the state shall pay the
27 employer contributions for such persons at like rates as prescribed for
28 employers of other members of such system;

29 (14) Employees who (a) are not citizens of the United States, (b)
30 do not reside in the United States, and (c) perform duties outside of
31 the United States;

32 (15) Employees who (a) are not citizens of the United States, (b)
33 are not covered by chapter 41.48 RCW, (c) are not excluded from
34 membership under this chapter or chapter 41.04 RCW, (d) are residents
35 of this state, and (e) make an irrevocable election to be excluded from
36 membership, in writing, which is submitted to the director within
37 thirty days after employment in an eligible position;

1 (16) Employees who are citizens of the United States and who reside
2 and perform duties for an employer outside of the United States:
3 PROVIDED, That unless otherwise excluded under this chapter or chapter
4 41.04 RCW, the employee may apply for membership (a) within thirty days
5 after employment in an eligible position and membership service credit
6 shall be granted from the first day of membership service, and (b)
7 after this thirty-day period, but membership service credit shall be
8 granted only if payment is made for the noncredited membership service
9 under RCW 41.50.165(2), otherwise service shall be from the date of
10 application;

11 (17) The city manager or chief administrative officer of a city or
12 town, other than a retiree, who serves at the pleasure of an appointing
13 authority: PROVIDED, That such persons shall have the option of
14 applying for membership within thirty days from date of their
15 appointment to such positions. Persons serving in such positions as of
16 April 4, 1986, shall continue to be members in the retirement system
17 unless they notify the director in writing prior to December 31, 1986,
18 of their desire to withdraw from membership in the retirement system.
19 A member who withdraws from membership in the system under this section
20 shall receive a refund of the member's accumulated contributions.

21 Persons serving in such positions who have not opted for membership
22 within the specified thirty days, may do so by paying the amount
23 required under RCW 41.50.165(2) for the period from the date of their
24 appointment to the date of acceptance into membership;

25 (18) Persons serving as: (a) The chief administrative officer of
26 a public utility district as defined in RCW 54.16.100; (b) the chief
27 administrative officer of a port district formed under chapter 53.04
28 RCW; or (c) the chief administrative officer of a county who serves at
29 the pleasure of an appointing authority: PROVIDED, That such persons
30 shall have the option of applying for membership within thirty days
31 from the date of their appointment to such positions. Persons serving
32 in such positions as of July 25, 1999, shall continue to be members in
33 the retirement system unless they notify the director in writing prior
34 to December 31, 1999, of their desire to withdraw from membership in
35 the retirement system. A member who withdraws from membership in the
36 system under this section shall receive a refund of the member's
37 accumulated contributions upon termination of employment or as

1 otherwise consistent with the plan's tax qualification status as
2 defined in internal revenue code section 401.

3 Persons serving in such positions who have not opted for membership
4 within the specified thirty days, may do so at a later date by paying
5 the amount required under RCW 41.50.165(2) for the period from the date
6 of their appointment to the date of acceptance into membership;

7 (19) Persons enrolled in state-approved apprenticeship programs,
8 authorized under chapter 49.04 RCW, and who are employed by local
9 governments to earn hours to complete such apprenticeship programs, if
10 the employee is a member of a union-sponsored retirement plan and is
11 making contributions to such a retirement plan or if the employee is a
12 member of a Taft-Hartley retirement plan;

13 (20) Beginning on July 22, 2001, persons employed exclusively as
14 trainers or trainees in resident apprentice training programs operated
15 by housing authorities authorized under chapter 35.82 RCW, (a) if the
16 trainer or trainee is a member of a union-sponsored retirement plan and
17 is making contributions to such a retirement plan or (b) if the
18 employee is a member of a Taft-Hartley retirement plan; and

19 (21) Employees who are removed from membership under RCW 41.40.823
20 or 41.40.633.

--- END ---

DRAFT FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	12/5/05	Z-0924.1

SUMMARY OF BILL:

This bill impacts the Public Employee's Retirement System, School Employee's Retirement System, and Teachers Retirement System by allowing members who retire on or after age seventy and one-half, and who fulfill the 1 month separation requirement, to return to work without restriction; upon receipt of retirement benefits such an individual would cease active membership and no longer make contributions nor receive service credit. Current state elected and appointed officials are exempt from this act unless they leave elected office, or are re-elected after the effective date of the act.

The bill also allows state elective officials the option to continue or resume membership, and if otherwise eligible, retire and receive their retirement allowance at the beginning of each term of office. A state elected official member who chooses to end membership at the beginning of a term of office shall neither make contributions nor earn service credit for the duration of that term.

Effective Date: 90 days after session.

CURRENT SITUATION:

After a one-month separation, PERS, SERS, and TRS 2/3 retirees may return to work for 867 hours per calendar year or school year before their benefit is suspended. PERS 1 members may return to work after a 3-month separation and work up to 1,500 hours per calendar year before their benefit is suspended. TRS 1 members may return to work after a one-month separation and work for up to 1,500 hours per school year before their benefit is suspended.

State elected official members of most Washington State Retirement Systems and plans must separate from service in order to retire and begin receipt of their retirement benefits regardless of age. While the rules for state elected officials vary by system and plan, the Teachers' Retirement System Plan 1 is a notable distinction in permitting state elected officials, if otherwise eligible, to begin their retirement benefit while serving in state elective office.

MEMBERS IMPACTED:

We estimate that potentially all active members in these systems could be affected by the age 70 1/2 portion of this bill. Active members currently over age 70 1/2 would be impacted on the effective date of the bill. This includes 375 out of 156,256 active members in PERS, 31 out of 66,634 in TRS, and 135 out of 49,854 in SERS.

We estimate that relatively few members in these systems could be affected by the opt-in/opt-out portion of this bill, although nearly all members could potentially become elected officials. The opt-in/opt-out portion of the bill would impact the current state elected officials in the systems if they are reelected following the effective date. This includes 148 active members in PERS, 1 in TRS (not including 4 in TRS 1 who already have the opt-in/opt-out provision), and 0 in SERS.

We estimate that a typical member impacted by the age 70 1/2 provision of this bill would receive a benefit of about \$11,700 per year, but would give up additional benefit accruals of about \$1,000 per year. For example, a PERS member who retired at age 74 with 19 years of service would receive an annual benefit of \$13,200; waiting one additional year to retire would result in an annual benefit of \$14,400. A typical SERS member who retired at age 74 with 12 years of service would receive an annual benefit of \$4,600; waiting one additional year to retire would result in an annual benefit of \$5,200. The impact on long service members over age 70 1/2, and not subject to the 30-year service cap, is greater than the impact on short service members.

ASSUMPTIONS:

Our current retirement rate assumptions have all members retiring at age 70 or earlier. The members over 70 1/2 who continue working after we have assumed they will retire, typically produce an actuarial experience gain to the system. In general, the benefits earned for each year of additional service and increases in pay after age 70 are not as valuable as the retirement benefits that could have been received in the year. This is especially true for Plan 1 members who already have hit the 30-year maximum on service.

To determine the cost of the age 70 1/2 provision, we started with an assumption change for the retirement rates at age 70 and beyond. For PERS and SERS, we replaced our 100% retirement assumption at age 70 with 25% per year from age 70 to 81 and 100% at age 82. We did not change the rates before age 70. For TRS, we did not change our 100% assumption at age 70, because the number of active TRS members working past age 70 is not significant compared to PERS and SERS, and the oldest active TRS member is 78, compared to 88 in both PERS and SERS. So we would not expect any significant cost impact for TRS.

For PERS and SERS, we compared the costs of the plans with the new retirement assumption to the costs using an alternative retirement assumption. We increased the 25% rate to 37.5% as an estimate of how many more active members over age 70 1/2 would retire after the bill is effective.

FISCAL IMPACT:

Actuarial Determinations:

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and the required actuarial contribution rate as shown below:

<i>(Dollars in Millions)</i>		Current	Increase	Total
Actuarial Present Value of Projected Benefits (The Value of the Total Commitment to all Current Members)	PERS	\$ 28,099	\$ 19	\$ 28,118
	TRS	\$ 15,616	\$ 0	\$ 15,616
	SERS	\$ 2,126	\$ 1	\$ 2,127
Unfunded Actuarial Accrued Liability (The Portion of the Plan 1 Liability that is Amortized at 2024)	PERS	\$ 2,563	\$ 8	\$ 2,571
	TRS	\$ 1,415	\$ 0	\$ 1,415
	SERS	\$ N/A	\$ N/A	\$ N/A
Unfunded Liability (PBO) (The Value of the Total Commitment to all Current Members Attributable to Past Service)	PERS	\$ (673)	\$ 18	\$ (655)
	TRS	\$ (235)	\$ 0	\$ (235)
	SERS	\$ (439)	\$ 1	\$ (438)

Increase in Contribution Rates: (Effective 9/1/06)

	PERS	TRS	SERS
Current Members			
Employee	0.02%	0.00%	0.01%
Employer State*	0.03%	0.00%	0.02%
New Entrants**			
Employee	0.01%	0.00%	0.00%
Employer State	0.01%	0.00%	0.00%

* 0.01% of the total employer rate increase goes toward amortizing the Plan 1 UAAL.

**Rate change applied to future new entrant payroll and used for fiscal budget determinations only. A single supplemental rate increase, equal to the increase for current members, would apply initially for all members or employers.

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	TRS	SERS	Total
2006-2007				
State:				
General Fund	\$0.3	\$0.0	\$0.1	\$0.4
Non-General Fund	<u>\$0.6</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.6</u>
Total State	\$0.9	\$0.0	\$0.1	\$1.0
Local Government	\$0.9	\$0.0	\$0.1	\$1.0
Total Employer	\$1.8	\$0.0	\$0.2	\$2.0
Total Employee	\$0.9	\$0.0	\$0.0	\$0.9
2007-2009				
State:				
General Fund	\$0.8	\$0.0	\$0.2	\$1.0
Non-General Fund	<u>\$1.6</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$1.6</u>
Total State	\$2.4	\$0.0	\$0.2	\$2.6
Local Government	\$2.2	\$0.0	\$0.4	\$2.6
Total Employer	\$4.6	\$0.0	\$0.6	\$5.2
Total Employee	\$2.2	\$0.0	\$0.1	\$2.3
2006-2031				
State:				
General Fund	\$13.9	\$0.0	\$2.2	\$16.1
Non-General Fund	<u>\$25.4</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$25.4</u>
Total State	\$39.3	\$0.0	\$2.2	\$41.5
Local Government	\$35.4	\$0.0	\$3.6	\$39.0
Total Employer	\$74.7	\$0.0	\$5.8	\$80.5
Total Employee	\$31.5	\$0.0	\$0.6	\$32.1

State Actuary's Comments:

The postponed retirements after age 70 1/2 currently produce actuarial gains. The age 70 1/2 portion of the bill would reduce these gains. The opt-in/opt-out provision of the bill would apply to a small group of members and the associated cost would be insufficient to increase rates.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal note are based on our understanding of the bill as well as generally accepted actuarial standards of practice including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2004 actuarial valuation report of the Teacher's Retirement System, School Employees' Retirement System, and Public Employees' Retirement System.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following: The retirement rate assumptions for PERS and SERS were changed. The retirement rate of 100% at age 70 was changed to 25% from age 70 to 81 and 100% at age 82.
4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This draft fiscal note is intended for use only during the 2006 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.
8. Entry age normal cost rate increases are used to determine the increase in funding expenditures for future new entrants. Aggregate rate increases are used to calculate the increase in funding expenditures for current plan members. Rate increases are based on rates that exclude the cost of gain sharing.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial accrued liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method.

The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost; plus
- Amortization of the unfunded liability

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.



WASHINGTON STATE LEGISLATURE
Office of the State Actuary

November 30, 2005

TO: SCPP Executive Committee

FROM: Laura Harper, Senior Research Analyst - Legal
Office of the State Actuary

CC: Matt Smith, FCA, EA, MAAA, State Actuary
Office of the State Actuary

RE: **PURCHASING ADDITIONAL SERVICE CREDIT - TECHNICAL
CORRECTION**

At the last SCPP meeting, the full committee approved expanding the ability of members to purchase up to five years of additional service credit or "air time" to all members of PERS, TRS, SERS, PSERS, LEOFF 1, and WSPRS who are eligible for a service retirement: early, alternate early, unreduced, or normal. A question arose as to the relationship between air time and Plan 1 benefit caps.

Since the inception of the air time proposal, it has been agreed that additional service credit is not membership service (hence it cannot be used for benefit eligibility purposes); rather, the additional service credit is to be used provide an annuity that enhances the benefit for which the member otherwise would have qualified. This means that the normal retirement allowance is computed the same as it would have been without the additional service credit. (So are other benefits, including cost of living adjustments, the uniform increase, and gain-sharing.)

The annuity associated with air time is **in addition to** the member's retirement allowance (or can be used to offset reductions for early retirement). The Plan 1 benefit caps play no role in the calculation of the annuity that would be available from purchasing additional service credit; nor does the annuity affect the calculation of other benefits. Technical corrections have been made to clarify that additional service credit is used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

O:\SCPP\2005\12-13-05 Exec\Purchasing Additional Service Credit Memo to.wpd

2100 Evergreen Park Drive S.W., Suite 150
P.O. Box 40914
Olympia, WA 98504-0914
(360) 786-6140

Fax: (360) 586-8135
TDD: 1-800-635-9993

E-Mail: actuary.state@leg.wa.gov

BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-0838.1/06

ATTY/TYPIST: LL:rmh

BRIEF DESCRIPTION: Permitting members of the public employees' retirement system, the teachers' retirement system, the school employees' retirement system, the public safety employees' retirement system, plan 1 of the law enforcement officers' and fire fighters' retirement system, and the Washington state patrol retirement system to make a one-time purchase of additional service credit.

**NOTE: THIS IS A MARK-UP OF A PRIOR Z DRAFT SHOWING
TECHNICAL CORRECTIONS**

AN ACT Relating to permitting members of the public employees' retirement system, the teachers' retirement system, the school employees' retirement system, the public safety employees' retirement system, plan 1 of the law enforcement officers' and fire fighters' retirement system, and the Washington state patrol retirement system to make a one-time purchase of additional service credit; adding a new section to chapter 41.40 RCW; adding a new section to chapter 41.32 RCW; adding a new section to chapter 41.35 RCW; adding a new section to chapter 41.37 RCW; adding a new section to chapter 41.26 RCW; adding a new section to chapter 43.43 RCW; repealing RCW 41.40.713; repealing RCW 41.40.833; repealing RCW 41.32.767; repealing RCW 41.32.877; repealing RCW 41.35.473; repealing RCW 41.36.653; and providing an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec. 1.** A new section is added to chapter 41.40 RCW under the subchapter heading "provisions applicable to plan 1, plan 2, and plan 3" to read as follows:

(1) A member eligible to retire under RCW 41.40.180, 41.40.630(~~((1))~~), or 41.40.820(~~((1))~~) may, at the time of filing a

written application for ((normal)) retirement with the department, apply to the department to make a one-time purchase of up to five years of additional service credit.

(2) To purchase additional service credit under this section, a member shall pay the actuarial equivalent value of the resulting increase in the member's benefit.

(3) Subject to rules adopted by the department, a member purchasing additional service credit under this section may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(4) Additional service credit purchased under this section is not membership service and ~~((may not be used to qualify the member for retirement under RCW 41.40.180, 41.40.630(1), or 41.40.820(1)))~~ shall be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

NEW SECTION. **Sec. 2.** A new section is added to chapter 41.32 RCW under the subchapter heading "provisions applicable to plan 1, plan 2, and plan 3" to read as follows:

(1) A member eligible to retire under RCW 41.32.480, 41.32.765((~~1~~)), or 41.32.875((~~1~~)) may, at the time of filing a written application for ((normal)) retirement with the department, apply to the department to make a one-time purchase of up to five years of additional service credit.

(2) To purchase additional service credit under this section, a member shall pay the actuarial equivalent value of the resulting increase in the member's benefit.

(3) Subject to rules adopted by the department, a member purchasing additional service credit under this section may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The

department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(4) Additional service credit purchased under this section is not membership service and (~~may not be used to qualify the member for retirement under RCW 41.32.480, 41.32.765(1), or 41.32.875(1)~~) shall be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

NEW SECTION. **Sec. 3.** A new section is added to chapter 41.35 RCW under the subchapter heading "provisions applicable to plan 2 and plan 3" to read as follows:

(1) A member eligible to retire under RCW 41.35.420(~~((+1))~~) or 41.35.680(~~((+1))~~) may, at the time of filing a written application for (~~normal~~) retirement with the department, apply to the department to make a one-time purchase of up to five years of additional service credit.

(2) To purchase additional service credit under this section, a member shall pay the actuarial equivalent value of the resulting increase in the member's benefit.

(3) Subject to rules adopted by the department, a member purchasing additional service credit under this section may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(4) Additional service credit purchased under this section is not membership service and (~~may not be used to qualify the member for~~

retirement under RCW 41.35.420(1) or 41.35.680(1)) shall be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

NEW SECTION. Sec. 4. A new section is added to chapter 41.37 RCW to read as follows:

(1) A member eligible to retire under RCW 41.37.210 (~~((1) or (2))~~) may, at the time of filing a written application for (~~(normal or unreduced)~~) retirement with the department, apply to the department to make a one-time purchase of up to five years of additional service credit.

(2) To purchase additional service credit under this section, a member shall pay the actuarial equivalent value of the resulting increase in the member's benefit.

(3) Subject to rules adopted by the department, a member purchasing additional service credit under this section may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(4) Additional service credit purchased under this section is not membership service and (~~((may not be used to qualify the member for retirement under RCW 41.37.210 (1) or (2))~~)) shall be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

NEW SECTION. Sec. 5. A new section is added to chapter 41.26 RCW under the subchapter heading "plan 1" to read as follows:

(1) A member eligible to retire under RCW 41.26.090 may, at the time of filing a written application for retirement (~~((for service))~~) with the department, apply to the department to make a one-time purchase of up to five years of additional service credit.

(2) To purchase additional service credit under this section, a

member shall pay the actuarial equivalent value of the resulting increase in the member's benefit.

(3) Subject to rules adopted by the department, a member purchasing additional service credit under this section may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(4) Additional service credit purchased under this section is not membership service and ~~((may not be used to qualify the member for retirement under RCW 41.26.090))~~ shall be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

NEW SECTION. **Sec. 6.** A new section is added to chapter 43.43 RCW to read as follows:

(1) A member eligible to retire under RCW 43.43.250 may, at the time of filing a written application for retirement with the department, apply to the department to make a one-time purchase of up to five years of additional service credit.

(2) To purchase additional service credit under this section, a member shall pay the actuarial equivalent value of the resulting increase in the member's benefit.

(3) Subject to rules adopted by the department, a member purchasing additional service credit under this section may pay all or part of the cost with a lump sum payment, eligible rollover, direct rollover, or trustee-to-trustee transfer from an eligible retirement plan. The department shall adopt rules to ensure that all lump sum payments, rollovers, and transfers comply with the requirements of the internal revenue code and regulations adopted by the internal revenue service. The rules adopted by the department may condition the acceptance of a rollover or transfer from another plan on the receipt of information necessary to enable the department to determine the eligibility of any

transferred funds for tax-free rollover treatment or other treatment under federal income tax law.

(4) Additional service credit purchased under this section is not membership service and ~~((may not be used to qualify the member for retirement under RCW 43.43.250))~~ shall be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

NEW SECTION. Sec. 7. The following acts or parts of acts are each repealed:

(1) RCW 41.40.713 and 2004 c 172 (Purchase of additional service credit - Costs - Rules).

(2) RCW 41.40.833 and 2004 c 172 s 2 (Purchase of additional service credit - Costs - Rules).

(3) RCW 41.32.767 and 2005 c 65 s 1 (Additional service credit purchase - Rules).

(4) RCW 41.32.877 and 2005 c 65 s 2 (Additional service credit purchase - Rules).

(5) RCW 41.35.473 and 2004 c 172 s 3 (Purchase of additional service credit - Costs - Rules).

(6) RCW 41.35.653 and 2004 c 172 s 4 (Purchase of additional service credit - Costs - Rules).

NEW SECTION. Sec. 8. This act takes effect July 1, ~~((2007))~~ 2006.

Burkhart, Kelly

Subject: FW: Disability Benefits for PERS 2 Members

From: Harper, Laura
Sent: Thursday, November 17, 2005 9:32 AM
To: 'Jeffry Graves'
Cc: Burkhart, Kelly
Subject: RE: Disability Benefits for PERS 2 Members

Matt Smith is the State Actuary and Robert Baker is the Senior Policy Analyst who prepared the briefings on the disability issue for this interim. I will forward this e-mail to Kelly Burkhart, Mr. Smith's Executive Assistant, so it may be included in constituent correspondence at the next SCPP meeting, which will be held December 13, 2005.

From: Jeffry Graves
Sent: Thursday, November 17, 2005 9:20 AM
To: Harper, Laura
Cc: Smith, Matt; Baker, Robert
Subject: RE: Disability Benefits for PERS 2 Members

Could you please forward this to the committee? I thought Matt and Robert were on this committee. It is getting very hard for me to type.

Regards, Jeff Graves

"Harper, Laura" <Harper.Laura@leg.wa.gov> wrote:

Dear Mr. Graves:

This issue is not dead. To overhaul the disability retirement system is a big undertaking with many policy and financial implications. It would affect many people - members, employers and taxpayers. The SCPP heard several briefings on the issue, which were very detailed but which also identified many questions that the committee would need to answer in order to change the current system. You can read the issue papers that were presented by Mr. Baker on the SCPP website. They reflect many hours of work. Given all the other issues the SCPP had already scheduled for this interim, the Executive Committee did not expect to have sufficient time to come up with recommended legislation for this short session, so the issue was continued to the 2006 interim.

Whether to make benefit changes retroactive is a funding policy decision for the legislature. Sometimes this is done, and sometimes it is not - usually depending on the magnitude of the cost. Usually costly benefit improvements are prospective so that members and employers can, through payroll deduction of contributions, pay for the benefits over the working careers of the people who receive the benefits - otherwise future taxpayers are paying for benefits to employees who did not contribute to the funding. This policy, known as "intergenerational equity", is part of current pension law in the State of Washington and has been for some time.

I cannot speak for the SCPP or the Executive Committee, but let me assure you that no one on this staff is trying to waste your time. Your concerns were shared with the committee in a timely manner, and they were considered by the committee during this interim. The committee was fully briefed by the staff, who works very hard for the committee. All final actions, however, are taken by the SCPP. Therefore, I encourage you to contact the committee and/or your legislators with any complaints you may have about their decisions or the legislative process.

Best wishes,

Laura Harper

From: Jeffry Graves

Sent: Wednesday, November 16, 2005 9:32 PM
To: Harper, Laura
Cc: Baker, Robert; Smith, Matt
Subject: RE: Disability Benefits for PERS 2 Members

I would like to know why everyone wasted my time by telling me that you were working on this issue and helping me. I was told that even if you changed the disability retirement benefits for PERSII members that it would not be retroactive and would not help me at all! I am very dissappointed and frustrated about this.

Jeffry A. Graves

"Harper, Laura" <Harper.Laura@leg.wa.gov> wrote:

I did not realize you would be in California on an extended basis. The members had copies of your earlier correspondence at the July 19 meeting. Please be very specific about what you would like to provide to the SCPP members at the next meeting. Ordinarily, they would not receive copies of e-mail correspondence such as the correspondence we are having now.

The normal process for the SCPP is to study issues in quite some detail during the interim. The next meeting will be mostly a background briefing to help members understand the issues around disability retirement. As a policy committee, SCPP members will decide prior to the next legislative session what bills they would like to recommend for passage in 2006. This is a fairly long process which you can track by visiting the SCPP website, <http://www.leg.wa.gov/scpp/>.

From: Jeffry Graves
Sent: Wednesday, July 20, 2005 8:59 AM
To: Harper, Laura
Subject: RE: Disability Benefits for PERS 2 Members

Thank you,

I am in California and will be unable to attend any meetings as I stated in my earlier e-mails. I am sure my e-mails will let my voice be heard. Please make sure the members have copies of them for the meeting if you don't mind. I am in pain most of the time and just typing e-mails is hard for me to do, but computers can open many doors for me.

Regards, Jeff Graves

"Harper, Laura" <Harper.Laura@leg.wa.gov> wrote:

The Executive Committee of the SCPP met yesterday and decided to schedule the topic of disability retirement for its next regular meeting in August (the 23rd). You may wish to attend and provide testimony to the Committee at that time.

From: Jeffry Graves
Sent: Tuesday, July 19, 2005 12:23 AM
To: Harper, Laura
Cc: Baker, Robert; Burkhart, Kelly
Subject: RE: Disability Benefits for PERS 2 Members

Hi Laura,

I have not heard from anyone else on this committee except you. I am just wondering how much they care about people in my position? I don't even know if I qualify for Social Security Disability Benefits yet and won't know until October! I was making \$57,000 Plus benefits, a year before I became disabled, now I am at \$12,000 without benefits with my PERS II disability retirement! Who would choose to put themselves in this situation? This is absolutely

crazy after working 26 years!
I need some help!

Regards, Jeffry Graves

"Harper, Laura" <Harper.Laura@leg.wa.gov> wrote:

Your original e-mail to this office will be forwarded to the SCPP as part of the meeting materials for July 19.

-----Original Message-----

From: Jeffry Graves
Sent: Thursday, July 14, 2005 9:11 AM
To: Harper, Laura
Subject: RE: Disability Benefits for PERS 2 Members

Thank you,

I have contacted some of the Legislators in my district. Can you give me the e-mail address for the SCPP? Have you passed on my message to the policy-makers? I am in California now and I am unable to attend the meetings in Olympia. Thank you for your help in this matter of great concern to me! Jeff Graves

"Harper, Laura" <Harper.Laura@leg.wa.gov> wrote:

I hear you. Since I am only staff to the policy-makers, perhaps you would want to write a letter to the SCPP voicing your concerns, or speak up to them at their meeting(s). You could also contact the legislators in your district. You have a message.

-----Original Message-----

From: Jeffry Graves
Sent: Wednesday, July 13, 2005 6:59 PM
To: Harper, Laura
Cc: Baker, Robert; Smith, Matt; Burkhart, Kelly
Subject: Re: Disability Benefits for PERS 2 Members

Thank you for the reply,

How many people choose to retire because on a disability that keeps them from working, knowing that they will live in poverty because of this reduced benefit? I sure didn't. Even people in the Military can retire after 20 years with full benefits. I have put in 26 years with the Port of Seattle plus 4 years in the Military. Something needs to be done about this. I have put in enough years to deserve a full retirement so I can at least live a fairly decent life. I hope you look at this issue seriously and do something to correct it.

Regards, Jeff Graves

"Harper, Laura" <Harper.Laura@leg.WA.gov> wrote:

Good morning Mr. Graves. You are correct that the disability benefit for members of PERS 2 is calculated as if the member chooses to retire. In that sense, this benefit has been designed more as a retirement benefit than as an insurance for disability. The obvious reason is cost - it is more expensive to provide full

retirement to those who leave the workforce early for disability. Both members and employers would be charged higher contribution rates if the actuarial reduction for early retirement were removed from the disability benefit calculation.

You may be interested to know that in the 2005 legislative session, the Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Board sponsored legislation that removed the actuarial reduction for disability retirements for its members. The legislation passed as Chapter 451, Laws of 2005. You may also be interested to know that the Executive Committee of the Select Committee on Pension Policy (SCPP) will be determining at its July 19, 2005 meeting whether the SCPP should study this issue for the other retirement systems. The Executive Committee's meeting is open to the public and is scheduled to take place at 1:30 p.m. in House Hearing Room A, Olympia.

You may track the SCPP's progress on this issue by visiting the SCPP website, <http://www.leg.wa.gov/scpp/>. Also, feel free to contact the OSA for further information on the progress of this issue. Currently, the analyst assigned to this issue is Bob Baker. I have copied him on this e-mail response.

If you have further questions, feel free to call me at 360-753-9144.

Burkhart, Kelly

Subject: FW: True Rule of 90

-----Original Message-----

From: Tony Reiboldt

Sent: Monday, November 21, 2005 11:00 AM

To: Fromhold, Rep. Bill

Subject: True Rule of 90

Dear Representative Fromhold:

My name is Anthony Reiboldt, and I am a teacher in Kennewick, WA. I am a Plan 3 teacher who has been in the profession for 10 years. Under current Plan 2 and 3 language teachers must wait until they are 65 before accessing their retirement benefit without substantial penalty. Please support legislation supporting a True Rule of 90 where all years of experience count towards retirement with no minimum age of 60.

Thank You,

Anthony S. Reiboldt

Burkhart, Kelly

From: on behalf of Office State Actuary, WA

Subject: FW: SCPP Website

From: Rodland, Barry

Sent: Monday, November 14, 2005 10:42 AM

To: Office State Actuary, WA

Subject: SCPP Website

Dear Committee Members,

I am very concerned about the retirement pension for teachers in Washington State. Please strongly consider a true-rule 90 for teachers on plan 3 and kill any legislation to take away gain sharing. Most of us who switched from Plan 2 to Plan 3 did so due to the gain sharing option as well as to self-direct our funds so taking away gain sharing would be devastating. I think we need big improvements with regard to our retirement system for teachers in the state of Washington and I hope you will work toward that end.

Thank you,
Barry Rodland

Burkhart, Kelly

From: on behalf of Office State Actuary, WA

Subject: FW: SCPP Website

From: Mutcheson, Joey

Sent: Monday, November 14, 2005 11:17 AM

To: Office State Actuary, WA

Subject: SCPP Website

Dear Committee

I would appreciate your support in providing a reasonable retirement age and benefits for teachers. I feel the rule of 90 should be the minimum requirement that is presentable.

Thank you

Joey Mutcheson

360-563-4353

Snohomish School District



Burkhart, Kelly

From: on behalf of Office State Actuary, WA

Subject: FW: Gain Sharing

From: Stapleton, Tony

Sent: Monday, November 14, 2005 2:13 PM

To: Office State Actuary, WA

Subject: Gain Sharing

Ladies and Gentlemen:

I would like to let you know that taking away gain sharing for teachers is unacceptable in the past, now and in the future! Teachers should be shown the same respect as other state workers in the retirement system! Also a true rule of 90 is the least that the committee needs to recommend to the state legislature again I state this in the Present Past and Future!

Thank you for your time,

Tony Stapleton

Biology Teacher

Snohomish High School

(360)563-4194

Burkhart, Kelly

Subject: FW: Rule of 90

-----Original Message-----

From: Kevin McAfee
Sent: Monday, November 21, 2005 11:04 AM
To: Fraser, Sen. Karen; Fromhold, Rep. Bill
Subject: Rule of 90

Hello-

I'm a Plan 3 teacher who has been in the profession for 28 years. Under the current Plan 2 & 3 language, teachers must wait until they are 65 years of age before accessing their retirement benefit without a substantial penalty.

Please support legislation that supports a true rule of 90...where all the years of experience count towards retirement with no minimum age of 60.

The Select Committee meets again on November 28th. They are also considering a Plan 3 back to Plan 2 window for staff, but I have yet to hear any details.

Thank You-

Kevin W. McAfee
Kennewick School District
Desert Hills Middle School

Burkhart, Kelly

Subject: FW: Plan 3 educator

-----Original Message-----

From: Betti Gregg

Sent: Monday, November 21, 2005 11:49 AM

To: Conway, Rep. Steve; Crouse, Rep. Larry; Fraser, Sen. Karen; Fromhold, Rep. Bill;
mullikan.j@leg.wa.gov; Pridemore, Sen. Craig

Subject: Plan 3 educator

I am a Plan 3 teacher who has been in the profession for only 7 years. Under current Plan 2 and 3 language teachers must wait until they are 65 before accessing their retirement benefit without substantial penalty. Please support legislation supporting a True Rule of 90 where all years of experience count towards retirement with no minimum age of 60.

Thank you.

Betti Gregg

Southridge High School

Kennewick School District

Kennewick, WA

Burkhart, Kelly

Subject: FW: Attention Representative Bill Fromhold:

-----Original Message-----

From: Sue Rallens

Sent: Monday, November 21, 2005 12:05 PM

To: Fromhold, Rep. Bill

Subject: Attention Representative Bill Fromhold:

Attention Representative Bill Fromhold:

I am a Plan 3 teacher who has been in the profession for 28 years. Under current Plan 2 and 3 language teachers must wait until they are 65 before accessing their retirement benefit without substantial penalty. Please support legislation supporting a True Rule of 90 where all years of experience count towards retirement with no minimum age of 60.

Thank you,
Sue Rallens
Kennewick Teacher

Burkhart, Kelly

Subject: FW: TRS Plan 2 & 3

Importance: High

-----Original Message-----

From: Sherry Gustafson

Sent: Monday, November 21, 2005 2:06 PM

To: Fromhold, Rep. Bill

Subject: TRS Plan 2 & 3

Importance: High

**** Proprietary ****

**** High Priority ****

Dear Mr. Fromhold,

Under current Plan 2 and 3 language, teachers must wait until they are 65 before accessing their retirement benefit without substantial penalty. Please support legislation

supporting a True Rule of 90 where all years of experience count towards retirement with no minimum age of 60. Teaching is a wonderful and fulfilling profession, but also

taxing in a way that many professions are not. As an educator I would like to be able to make the decision that it's time for me to leave the classroom. Honestly, I can't

imagine standing in front of thirty-two 11-year-olds when I'm 65! Again, please support a True Rule of 90!!

Thank you

Sherry Gustafson

"Mrs. G"

Sherry Gustafson

Desert Hills MS

Burkhart, Kelly

Subject: FW: True rule of 90

-----Original Message-----

From: Laurie Otto

Sent: Monday, November 21, 2005 1:48 PM

To: Fromhold, Rep. Bill

Subject: True rule of 90

Please support legislation this year to support the True Rule of 90. Thank you.

Laurie Otto

Kiona-Benton School District

Subject: FW: True 90 plan

-----Original Message-----

From: Shira Wise

Sent: Monday, November 21, 2005 12:42 PM

To: Fromhold, Rep. Bill

Subject: True 90 plan

I am Plan 3 teacher who has been in the profession for 9 years. I love my job, my students, and my colleagues with whom I work. I am also a Nationally Board Certified Teacher, and committed to this profession as well as my own advancement. I cannot however imagine a world in which I will continue to be an effective teacher after 43 years in the classroom.

22 is young to begin any career, and yet, my first high school teaching began at this age. I have since received my masters degree, 90 additional continuing education credits and my National licence. After 9 years of teaching to date, it is daunting to think that I am less that 1/4 of the way through my career. Years of teaching 150 students per year the same material with different programs/standards/emphasis and effectiveness seems impossible.

Our US military personnel are allowed to retire after 20 years of service with full benefits and retirement. I however, will have to wait for 34 more years for a 60% salary cut and reduced benefits. I wonder at a government and state who values teachers so little when other public service officials (who primarily attend public schools) receive retirement at a better rate and after fewer years of service.

Please support legislation supporting a True Rule of 90 where all years of experience count towards retirement with no minimum age of 60. This is the only fair way to compensate teachers for a job well done, and to ensure that our future generations will have the best, brightest and most enthusiastic teachers in the classroom rather than me, who after 42 years may not do as good of a job as I can do now.

Burkhart, Kelly

Subject: FW: retirement

-----Original Message-----

From: Ron Pasma
Sent: Monday, November 21, 2005 1:06 PM
To: Fromhold, Rep. Bill
Subject: retirement

My name is Ron Pasma and I am on Plan III and this is my 26th year of teaching.

I would like you to please consider the "true" 90 for us to retire.

thank you for being the chair on this committee in the Legislature.

Ron Pasma
director of bands
Desert Hills MS
Kennewick, Wa.
1 509 222-6094

Burkhart, Kelly

Subject: FW: Yes, please change Plan 3. The kids always need new andenthusiastic teachers.
Barbara Wilson Sout

-----Original Message-----

From: Barbara Wilson

Sent: Tuesday, November 22, 2005 8:01 AM

To: Fromhold, Rep. Bill

Subject: Yes, please change Plan 3. The kids always need new andenthusiastic teachers. Barbara Wilson Sout

Yes, please change Plan 3. The kids always need new and enthusiastic teachers. Barbara Wilson Southridge High School Kennewick WA

Burkhart, Kelly

Subject: FW: True Rule of 90 Retirement Plan change

From: Karen Speakes

Sent: Tuesday, November 22, 2005 11:00 AM

To: Conway, Rep. Steve; Crouse, Rep. Larry; Fraser, Sen. Karen; Fromhold, Rep. Bill; mullikan.j@leg.wa.gov; Pridemore, Sen. Craig

Subject: True Rule of 90 Retirement Plan change

I am a Plan 3 teacher who has been in the profession for 26 years. Under current plan 2 and 3 language teachers must wait until they are 65 before accessing their retirement benefit with substantial penalty. Please support legislation supporting a True Rule of 90 where all years of experience count towards retirement with no minimum age of 60.

Thank you for supporting teachers.

Karen Speakes

Burkhart, Kelly

Subject: FW: Legislation Support

-----Original Message-----

From: Greg Julian

Sent: Wednesday, November 23, 2005 10:18 AM

To: conway st@leg.wa.gov; crouse.la@leg.wa.gov; Fromhold, Rep. Bill; mullikan.j@leg.wa.gov; Pridemore, Sen. Craig; fraser.karen@leg.wqa.gov

Subject: Legislation Support

To whom it may concern:

I am writing to each of you concerning the upcoming legislation regarding the True Rule of 90/Pension Plan.

I am asking for your support as a tax payer, parent and a teacher of 23 years.

I love my job and I wouldn't be doing it if I did not. I still believe what is best for kids is that I or somebody else shouldn't be teaching at the age of 65. I am a PE/Health instructor in Kennewick, WA. I joke, have fun and work hard at my job but I can't see my self with the same attitude later in life. I have seen some teachers going out now that have had the wrong attitude for some time. I do not want to be like that.

Please vote yes in support of the True Rule of 90 in the upcoming legislation.

Sincerely,
Greg Julian

Burkhart, Kelly

Subject: FW: Rule of 90

-----Original Message-----

From: Mark Falkner

Sent: Monday, November 28, 2005 7:32 AM

To: Fromhold, Rep. Bill

Subject: Rule of 90

Dear Sir,

I have been working for the Kennewick School District since 1979-1980. I am asking that you please consider proposing and supporting a True Rule of 90, with all prior years of service and no age 60 requirement, for TRS Plan 2 and 3 members. As you know, under current plan language teachers must wait until 65 years of age before accessing their retirement benefits without substantial penalties.

Thank-you for your consideration,
Mark Falkner

Burkhart, Kelly

Subject: FW: Email from Jeff Hall

Importance: High

Attachments: JRA Final Bill Draft (Revised) for Code Reviser 11-30-05.doc

Mr. Smith,

The Board for Judicial Administration would like to seek introduction of the attached bill in the upcoming legislative session. This bill makes technical corrections to the Judicial Retirement Account with the primary purpose being to allow for the distribution of funds from an individual account pursuant to a qualified domestic relations order. The bill also makes several other technical corrections.

I spoke with Mr. Robert Baker of your office earlier this week and he suggested that I forward this bill draft to you at the earliest possible date. I have not previously worked on legislation affecting a pension system and am therefore not entirely certain as to how to proceed. Based on my conversation with Mr. Baker it is my understanding that since this bill will not have an actuarial impact, formal endorsement or approval of the Select Committee on Pension Policy is not required, but that there may be an opportunity to present the bill to the committee during public testimony at the December 13th meeting. It has been my intention to independently seek sponsorship of the bill by members of the committee and had intended to do so outside of the committee hearing process, though Mr. Baker indicated that the hearing may also present an opportunity to request committee member sponsorship of the legislation.

I am out of the office Friday through Monday, but hope I might have an opportunity to discuss how I might best proceed at your convenience early next week. I'll be taking this final version to the code reviser's office for a z-draft on Tuesday.

Thank you in advance for your time and attention to the above.

Jeff Hall, Executive Director
Board for Judicial Administration
Administrative Office of the Courts
PO Box 41174
Olympia, WA 98504-1174
360-357-2131

**Judicial Retirement System Bill Draft
Board for Judicial Administration**

NOTE: This proposed bill draft includes sections which are not amended for purposes of providing the reader with the context of all sections. Only amended sections will be included in the actual bill draft. Comments on the proposed changes are included in boxed italics following some of the amended sections.

**Chapter 2.14 RCW
RETIREMENT OF JUDGES -- SUPPLEMENTAL RETIREMENT**

RCW 2.14.010 - Purpose.

(1) The purpose of this chapter is to provide a supplemental retirement benefit to judges who are elected or appointed under chapter 2.04, 2.06, or 2.08 RCW and who are not members of the judicial retirement system act authorized by chapter 2.10 RCW. ~~members of the public employees' retirement system for their service as a judge.~~

(2) This chapter may be known and cited as the judicial retirement account act.

NOTES: Eliminate the restriction of being a PERS member.

RCW 2.14.020 -Definitions.

The definitions in this section apply throughout this chapter.

(1) "Plan" means the judicial retirement account plan.

(2) "Principal account" means the judicial retirement principal account.

(3) "Member" means a judge participating in the judicial retirement account plan.

(4) "Administrative account" means the judicial retirement administrative account.

(5) "Accumulated contributions" means the total amount

contributed to a member's account under RCW 2.14.090 (1) and (2), together with any interest and earnings that have been credited to the member's account.

RCW 2.14.030 - Judicial retirement account plan established.

The judicial retirement account plan is established for judges appointed or elected under chapter 2.04, 2.06, or 2.08 RCW and who are not members of the judicial retirement system act authorized by chapter 2.10 RCW. ~~members of the public employees' retirement system for their service as a judge.~~

NOTES: <i>Eliminate the restriction of being a PERS member.</i>
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RCW 2.14.040 - Administration of plan.

The administrator for the courts, under the direction of the board for judicial administration, shall administer the plan.

The administrator shall:

(1) Deposit or invest contributions to the plan consistent with RCW 2.14.080;

(2) Credit investment earnings or interest to individual judicial retirement accounts consistent with ~~RCW 2.14.070~~ 2.14.060;

(3) Keep or cause to be kept full and adequate accounts and records of the assets, obligations, transactions, and affairs of any judicial retirement accounts created under this chapter; and

(4) Adopt rules necessary to carry out this chapter.

NOTES: <i>Change reference to the correct section.</i>

RCW 2.14.050 - Administrator -- Discharge of duties.

The administrator for the courts shall be deemed to stand in a fiduciary relationship to the members participating in the plan and shall discharge his or her duties in good faith and with

that diligence, care, and skill which ordinary prudent persons would exercise under similar circumstances in like positions.

RCW 2.14.060 - Judicial retirement principal account -- Creation -- Transfer of deficiencies -- Contributions -- Use.

The judicial retirement principal account is created in the state treasury. Any deficiency in the judicial retirement administrative account caused by an excess of administrative expenses disbursed from that account over earnings of investments of balances credited to that account shall be transferred to that account from the principal account.

The contributions under ~~*section 19 of this act~~ RCW 2.14.090 shall be paid into the principal account and shall be sufficient to cover costs of administration and staffing in addition to such other amounts as determined by the administrator for the courts. The principal account shall be used to carry out the purposes of this chapter.

RCW 2.14.070 - Judicial retirement administrative account -- Creation -- Use -- Excess balance -- Deficiencies.

The judicial retirement administrative account is created in the state treasury. All expenses of the administrator for the courts under this chapter, including staffing and administrative expenses, shall be paid out of the administrative account. Any excess balance of this account over administrative expenses disbursed from this account shall be transferred to the principal account. Any deficiency in the administrative account caused by an excess of administrative expenses disbursed from this account over the excess balance of this account shall be transferred to this account from the principal account.

RCW 2.14.080 - Duties of administrator -- Investments and earnings.

~~(1) The administrator for the courts shall:~~

~~—— (a) Deposit or invest the contributions under RCW 2.14.090 in a credit union, savings and loan association, bank, or mutual savings bank;~~

~~—— (b) Purchase life insurance, shares of an investment company, or fixed and/or variable annuity contracts from any insurance company or investment company licensed to contract business in this state; or~~

~~—— (c) Invest in any of the class of investments described in RCW 43.84.150.~~

~~—— (2) The state investment board or the department of retirement systems, at the request of the administrator for the courts, may invest moneys in the principal account. Moneys invested by the investment board shall be invested in accordance with RCW 43.33A.140 43.84.150. Moneys invested by the department of retirement systems shall be invested in accordance with applicable law. Except as provided in RCW 43.33A.160 or as necessary to pay a pro rata share of expenses incurred by the department of retirement systems, one hundred percent of all earnings from these investments, exclusive of investment income pursuant to RCW 43.84.080, shall accrue directly to the principal account.~~

NOTES: *The strikethroughs are to delete anachronisms. The court administrator doesn't make the investments. The referenced investment options aren't reflective of current reality either. The administrator, pursuant to current subsection 2, contracts with DRS and the SIB for the investment of the funds. The strikethrough in current subsection 2 is to correct in error in reference. RCW 43.84.150 doesn't actually set out how moneys are to be invested by SIB; RCW 43.33A.140 which has been added, does.*

RCW 2.14.090 - Funding of plan -- Contributions.

The plan shall be funded as provided in this section.

(1) Two and one-half percent shall be deducted from each member's salary.

(2) The state, as employer, shall contribute an equal

amount on a monthly basis.

(3) The contributions shall be collected by the administrator for the courts and deposited in the member's account within the principal account.

RCW 2.14.100 - Contributions -- Distribution upon member's separation -- Exemptions from state and local tax -- Exempt from execution.

(1) A member who separates from judicial service for any reason is entitled to receive a lump sum distribution of the member's accumulated contributions. The administrator for the courts may adopt rules establishing other payment options, in addition to lump sum distributions, if the other payment options conform to the requirements of the federal internal revenue code.

(2) The right of a person to receive a payment under this chapter and the moneys in the accounts created under this chapter are exempt from any state, county, municipal, or other local tax and are not subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency law, or any other process of law whatsoever and is not assignable, except as is otherwise specifically provided herein.

(3) If a judgment, decree or other order, including a court-approved property settlement agreement, that relates to the provision of child support, spousal maintenance, or the marital property rights of a spouse or former spouse, child or other dependent of a member is made pursuant to the domestic relations law of the state of Washington or such order issued by a court of competent jurisdiction in another state or country, that has been registered or otherwise made enforceable in this state, then the amount of the member's accumulated contributions shall be paid in the manner and to the person or persons so directed in the domestic relations order. However, this subsection does not permit or require a benefit to be paid or to be provided that is not otherwise available under the terms of this chapter

or any rules adopted hereunder. The administrator for the courts shall establish reasonable procedures for determining the status or any such decree or order and for effectuating distribution pursuant to the domestic relations order.

(4) The administrator for the courts may pay from a member's accumulated contributions the amount that the administrator finds is lawfully demanded under a levy issued by the Internal Revenue Service with respect to that member or is sought to be collected by the United States Government under a judgment resulting from an unpaid tax assessment against the member.

NOTES: *Currently DRS does not honor qualified domestic relations orders. These changes are to enable qualified domestic relations orders to be honored by AOC and DRS. Suggested subsection (4) simply codifies a reality. Assets in a member's account are subject to IRS levy or from an unpaid tax judgment.*

RCW 2.14.110 - Payment of contributions upon member's death.

If a member dies, the amount of the accumulated contributions standing to the member's credit at the time of the member's death, subject to the provisions of Chapter 26.16 RCW, shall be paid to the member's estate, or such person or persons, trust, or organization as the member has nominated by written designation duly executed and filed with the office of the administrator for the courts. If there is no such designated person or persons still living at the time of the member's death, the member's accumulated contributions shall be paid to the member's surviving spouse as if in fact the spouse had been nominated by written designation or, if there is no such surviving spouse, then to the member's legal representatives.

NOTES: *Since a member can designate someone other than a spouse, the added language clarifies that should a member choose to do so, that such a designation is subject to the community property laws of this state.*